No 61,178

THE TIMES

WEDNESDAY MARCH 10 1982

Price twenty pence

Petrol duty goes up 9p a gallon

Petrol duty has been increased by 9p a gallon, diesel for road vehicles by 7p a gallon, but no change has been made on the duty for heavy fuel oil and a cut in duty of 32p a gallon has been made in aviation petrol Page 7

Car road tax £80

Road tax for private cars is to rise by £10 a year to £80, with an increase of about 12 per cent for other vehicles such as motor cycles. Road tax on light commercial vans will be brought more into line with private cars, but tax on lorries of over nine tons unladen will rise by about a quarter Page 7

Cigarettes up 5p for 20

Cigarettes will rise by 5p for 20 from midnight tomorrow, with corresponding price rises in cigars and tobacco. From midnight yesterday, beer increased by 2p a pint, wine by 10p a bottle, sherry by 13p a bottle and spirits by 30p a bottle Page 7

Income tax unchanged

The basic rate of income tax remains unchanged, but allowances will rise after April 26 by 14 per cent, 2 per cent more than inflation. The single person allowance will rise by £190 to £1,565 and the married allowance by £300 to £2,445, with corresponding rises in age allowances and higher-rate threshold bands Page 5

Times Budget special issue: Pages 5-12

Pensions to rise by 11pc

Retirement pensions will rise by 11 per cent from next November, 2 per cent more than the forecast rate of price increases. The pension for a single person will go up by £3.25 to £32.85 a week, and the married couple's pension by £5.20 to £52.55 a week. Page 5

More for jobless

Unemployment benefits will rise from *£22.50 a week for a single person to £25,* and from £36.40 to £40.45 for a married couple. Increases in sickness and maternity benefits will be announced today and from next November child benefit allowance will rise by 50p a week to £5.85 Page 5

Energy costs reduced

Industry's energy costs are to be eased with reductions in electricity charges for over a hundred big industrial customers and a freezing in the contract price for certain gas supplies. The National Coal Board has also *agreed to avoid increasing* coking coal prices until the winter Page 6

Duty on pools to rise

Most betting taxes remain unchanged, but the duty on football pools will go up in April from 40 per cent to 42½ per cent, and in October the licence duty on 5p and 10p one-armed bandits will rise substantially. Duty rates on casinos will also rise. An extra £30m a year will be brought in by those changes Page 7

Post Office bond issue

British Telecom is to issue a bond to raise market capital, on condition that it keeps its tariff increases at least two percentage points below the rise in the retail price index and reduces unit costs by 5 per cent in 1982-83. An initial bond sale of up to £150m will be announced in the autumn Page 6

Disabled gain

The mobility allowance for the disabled *is to rise from £16.50 a week to £18.30* and from April 6 is to become tax-free. Charities helping the disabled will benefit from changes in VAT regulations Page 5

House buyers helped

Stamp duty on house purchases is to be eased, with the exemption threshold raised by £5,000 to £25,000 and reduced rates on house purchases of up to *£40,000.* The new scale will come into effect on March 22 Page 5

Mortgage rate to drop

The mortgage rate is certain to drop on Friday, Mr Alan Cumming, chairman of the Building Societies Association, said after hearing the Budget. The societies welcomed the end of the high-interest 23rd issue of National Savings Certificates, which competed for savings.

Howe heartens Tories with a little for everyone

By Julian Haviland and David Blake

Sir Geoffrey Howe, the Chancellor of the Exchequer, by doing broadly what was expected of him plus a little more, yesterday raised the hopes of government supporters for real recovery in the economy over the next 12 months.

The Chancellor scorned excessive borrowing and again gave primacy to steadily reducing inflation. He increased income tax thresholds and allowances by 2 per cent more than the *rate of inflation,* so restoring part of the excess tax he took a year ago; and reduced the national insurance surcharge on employers, the unpopular payroll tax, by the equivalent of 1 per cent.

His measures, which will cost the Exchequer more than £3,000m net in a full year, are aimed to bring public sector borrowing down from £10,500m in 1981-82 to £9,500m next year, or from 4 per cent to 3.5 per cent of the gross domestic product.

He told the Commons that his measures would in fact increase total public borrowing next year by £1,300m. At the same time as announcing that modest increase in the amount the Government needs to borrow next *year, the Chancellor published* details of money supply policy showing that the Government is significantly easing the tightness of its grip on money growth.

The total money supply will be allowed to rise by between 8 and 12 per cent in the next financial year, a good deal more than the 5 to 9 per cent envisaged in the earlier version of the Government's financial strategy. The Government is also spreading its attention from one single indicator of how much money there is in the economy, £M3, to a whole range *of indicators.*

A revised version of the Government's financial plan to 1984-85 showed that it accepts that inflation in 1983 will be about 7 per cent.

Sir Geoffrey told the Commons that his aim is to give a double boost to confidence: *confidence at home that growing markets* will be there for those prepared to go out and win them, and so a better prospect of employment; and confidence abroad that the country is staying on course.

There was one clear signal in the speech to the electors of Glasgow Hillhead where the Government defends its Parliamentary seat a fortnight tomorrow from the challenge of Mr Roy Jenkins and the Social *Democrats.* The *Chancellor* dwelt on the fact that he is raising the whisky duty by 30p a bottle, 20p less than would take account of inflation though this, he said, was because the Scotch whisky industry was in trouble.

In distributing his limited reliefs between the corporate and personal sectors, he put together a package of help for industry, particularly aimed at new and small businesses. In that he responded to the main weight of advice brought to bear on him not only by employers but also by his supporters at Westminster.

"An enterprise package" for small firms raises the registration threshold for value-added tax, for instance, to £17,000. The building industry is helped by higher grants for home improvement—up to 90 per cent until the end of this year—and by raising to £25,000 the limits for exemption from stamp duty on house purchases.

For big industrial users of energy there are arrangements for cheap supplies.

And for people, whom Sir Geoffrey conceded sententiously were as important as industry, he has made a small concession by raising the duties on tobacco, drink, and petrol by slightly less than the rate of inflation.

From midnight last night *there will be another 2p a pint* on beer, 5p on 20 cigarettes, and 9p a gallon on the price of petrol. The duty on Derv goes up by only 7p a gallon.

But the duty on cars goes up by £10 to £80 a year.

Sir Geoffrey found favour with Conservative MPs for the way in which he distributed several small sums among sensitive areas of need. He has made good his promise to raise retirement and other long-term benefits in November by 2 per cent more than the rate of inflation, to make good this year's shortfall. But he also undertook to give back the extra 2 per cent for those drawing short-term benefit—the unemployed and those on sickness, injury, and maternity benefit.

His refusal last autumn to promise action on those short-term benefits put him under heavy pressure from Conservative backbenchers as well as from the Opposition, and his change of heart yesterday was a recognition that the Commons would not have supported any other course.

A year ago, the Chancellor's heavily restrictive Budget was received with something near *despair on the government* benches. A few hours before he announced it three of his shocked Cabinet colleagues had considered resigning. Yesterday there was universal relief that, as many Conservative MPs put it, a start had been made.

Sir Geoffrey must have been heartened, despite the Opposition's contempt, by the support of left and right-wing Conservatives.

They approved of his willingness, *despite* the acknowledged difficulties of adjusting capital taxes for inflation. The Labour MPs said that that was an insensitive preoccupation at a time of high unemployment. The Chancellor's proposal is that inflation should be allowed for in future when capital gains are calculated and that the rates of capital transfer tax should be indexed.

There was approval from all parts of the House for his evident aversion to windfalls, whether from banks, from which he said he means to raise more tax when he can find a way, or for golden handshakes to individuals, which are to be taxed more heavily.

Understandably, Conservatives were trying to read in the Chancelor's forecasts their prospects for the next general election. Their hope, and it is no more than that, is that the Budget stimulus to industry *will prevent unemployment* from continuing to rise.

He outlined a scheme that he hoped would take 100,000 unemployed people off the registrar. It is a project that he wants the Manpower Services Commission to develop. It will pay the expenses of community projects, put forward by voluntary organizations and local bodies, on which unemployed people can work at a rate of pay equivalent to unemployment benefit.



One Chancellor and his dog: Sir Geoffrey Howe and Lady Howe in carefree mood before the Budget speech yesterday.

Mild reaction from the Opposition

By Staff Reporters

A Budget of threads and patches which failed to measure up in any sense whatsoever to the reality of the country's problems was the verdict of Mr Michael Foot, the Opposition leader.

The Chancellor's package received a cautious and measured response from *industrial leaders* despite its content being heavily weighted towards a platform for industrial recovery. And from trade union leaders the reaction was predictably sour as they reaffirmed their determination to block the Cabinet's economic strategy in the hope of forcing a *change of course.*

Mr Foot's traditional off-the-cuff reply to the Budget statement was one of the mildest from any Opposition leader to any Budget of recent years.

His comments, clearly prepared well in advance of Sir Geoffrey's statement, consisted mainly of an *attack on the* Government for its record on unemployment. The proposals, the Labour leader said, took no account of the huge real total of unemployed. He stated that to make good what had been taken out of the economy in the autumn there would have had to have been an expansion of about £5,000m.

The Budget, he said, would provide nothing like the total amount that should have been made available and, on balance it was a deflationary package. It was more likely to increase unemployment instead of expanding the economy.

Conservative MPs, however, were in a *joyous mood over the* Chancellor's proposals and it seemed that after months of doom and gloom they would at last have something to shout about in their constituencies.

Mr Foot described the Chancellor as a wandering minstrel who, in the end, would be the only person who would be enthusiastic about the Budget.

Industry and commerce were cool although the Confederation of British Industry saw the *measures as a number* of important steps that would help business.

Sir Terence Beckett, director general of the CBI, which had been pressing for a £2,590m reflationary package, *said that* the moves—the cut in employer's National Insurance Surcharge, help for the construction industry, and concessions on energy prices—were moves in the *right* direction.

"The tight borrowing stance is justified only if it enables us to get interest rates down this year. But with the measures outlined in this Budget, lower world oil prices and industry's improving competitiveness, business *can now show the will to win,*" he said.

The right-wing Institute of Directors, which has been at loggerheads with the CBI over the course that the *Government* should follow, however, thought that the balance was about right.

Mr Walter Goldsmith, its director general, said: "We are grateful that Sir Geoffrey *has* disregarded the many Peter Pan reflationary packages that have been bombarding the Treasury in recent weeks — businessmen can now look forward to a progressive lowering of interest rates."

The institute, he said, regretted that more could not have *been done to reduce the burden* of direct taxation. The Government, he said, must carry out its election pledge to make real cuts in the one or two Budgets *left before the next general* election.

Insufficient and misconceived, was the cool pronouncement from the Association of British Chambers of Commerce, representing 57,000 member companies through its 87 chambers.

Mr James Ackers, chairman of the ABCC's economic committee, said: "It doesn't make any great difference to industrial prospects. Industry is still caught between the hammer of low orders resulting from high interest rates and the anvil of excessive costs."

The TUC Economic Committee meets this morning to make a more detailed assessment of the Chancellor's measures, but the initial response from Congress House was: "Three wasted years behind, and it looks like another wasted year ahead".

Butler, the nearly Prime Minister

By Our Political Editor

Lord Butler of Saffron Walden, the Conservative statesman who held every *great political office except* that of Prime Minister, died on Monday at his home in Essex, aged 79.

R. A. Butler, known as Rab to his *friends,* political opponents and the public at large, was three times a candidate for the leadership of his party; in succession to Churchill, Eden and Macmillan.

As deputy Prime Minister, Chancellor of the Exchequer, Home Secretary and Foreign Secretary, in a ministerial career which lasted from 1932 to 1964, he had an immeasurable influence on the postwar development of his party.

Mrs Margaret Thatcher, the Prime Minister, *said in a Commons* tribute that all MPs would wish her to express their deep sorrow at the death of Lord Butler, whom she *described* as a great politician and statesman. The Commons will today pay formal tribute to a distinguished servant, architect of the 1944 Education Act, and prime force behind much of the Conservative Party postwar policy.

Mr Edward Heath said that Lord Butler would be remembered as one of the finest politicians of his generation. "His was the true moderate conservatism which did so much to create the stability and prosperity of postwar Britain."

But the key to the man and the politician was provided by the fact that he never achieved the top job. There are many of his friends and admirers who would *insist* that he did not want it enough.

☐ Professor Sir Alan Hodgkin, Master of Trinity College, *Cambridge, where Lord Butler* was Master from 1965 to 1978, said his term had been marked by a large building programme which he handled without *destroying the ancient architecture* (our Education Correspondent writes). He managed the period of student troubles in the late 1960s with great *calm and he presided over* Prince Charles's time at the college.

Obituary, page 14




Lord Butler: Postwar influence on Tories.

Spilling the beans over muffins

From Nicholas Ashford
Washington, March 9

It all began innocently enough. Mr George Skelton, a *reporter from the Los Angeles Times* invited Mr Michael Deaver, the White House deputy chief of staff and an old friend, to have breakfast *with him at his Santa Barbara* hotel last Saturday.

As the two men chatted over coffee and English muffins Mr Skelton asked Mr Deaver about *his trip to Europe where he* had just been to prepare for President Reagan's four-nation tour in June.

Mr Deaver produced a copy *of the President's itinerary* showing how he would spend his time in France, *Italy,* Britain and West Germany.

There were no surprises *until the President arrived in* London where Mr Skelton noted that he would address a joint session of the Houses of Parliament.

"*That's a good story*", Mr Skelton told Mr Deaver, who pointed out that President Reagan would be the first American leader to do so. "*He is honoured, obviously*", Mr Deaver said and went on to discuss the President's intention to go riding when he stays with the Queen at Windsor Castle.

The story duly appeared under the heading "Presidential first", modestly displayed on the lower half of the front *page of Sunday's Los Angeles Times.* Neither Mr Skelton nor Mr Deaver seemed aware that what appeared to them to be a routine story would create such a furore in London.

According to Mr Skelton he was left in no doubt by Mr Deaver that the President's appearance before the joint Houses of Parliament had been finalized. "I was not given the impression this was only a proposal", he said. "This was an invitation from the British which the President had accepted."

That was certainly the White House's initial reaction as well. When first questioned about *the Los Angeles Times'* report Mr Larry Speakes, the deputy press secretary, confirmed that it was correct.

Only when the extent of the *dispute it had caused in London* became apparent did the White House begin to qualify its first statement. A spokesman conceded that the President's address had "not been nailed down for sure".

"It was not meant to be a formal announcement. That is why the embassy in London has made an expression of regret about this misunderstanding."

Leading article, page 13

LT strike today

Buses and Underground trains in London are expected to be at a standstill today because of a 24-hour strike by London Transport unions in protest against the doubling of fares from March 21 and threatened job cuts.

Haughey returns to power

From Richard Ford
Dublin

Mr Charles Haughey returned to power as the Irish Republic's Prime *Minister* yesterday with a comfortable majority over Dr Garret Fitzgerald but at the head of a minority Fianna Fail government.

He was elected Taoiseach by 86 votes to 79 after weeks of negotiations with independents who hold the balance of power *and after* committing his administration to spend an extra £120m.

The commitment agreed with Mr Tony Gregory, the independent Community MP for Dublin Central, was "witnessed and signed by the general secretary of the Irish Transport and General Workers' Union" and was perhaps the most astonishing revelation made during yesterday's proceedings in the Dail.

Mr Gregory's vote had been thought crucial to Mr Haughey's attempt to gain power, but in the end it was *not,* because the three Sinn Fein workers' party MPs voted for him too.

Mr Haughey was elected at the first sitting of the Dail *since* last month's inconclusive general election, the second in seven months. He *lost* power last June after 18 disappointing months as Prime Minister which had been preceded by the power struggle that led Mr Jack Lynch to resign.

Although his party, with 81 seats, does not have an overall majority Mr Haughey, aged 56, the *great survivor* of modern Irish politics, is in a strong position.

Mr Haughey quickly rewarded two of his closest associates with senior positions in his Cabinet last night. Mr George Colley, the former deputy Prime Minister who contested the leadership with Mr Haughey after Mr Jack Lynch resigned, is dropped. The new deputy Prime Minister and Minister of Finance is Mr Raymond MacSharry and Mr Albert Reynolds, another strong supporter of the Prime Minister, is rewarded with Industry and Energy.

Full report, page 2



Mr Charles Haughey: an astute survivor

Divided action on teachers

A decision by the Association of Metropolitan Authorities to back the teachers' demands for arbitration on their pay claim angered the county *councils.* The unions are to call off industrial action in metropolitan areas Page 2

Remand rules change agreed

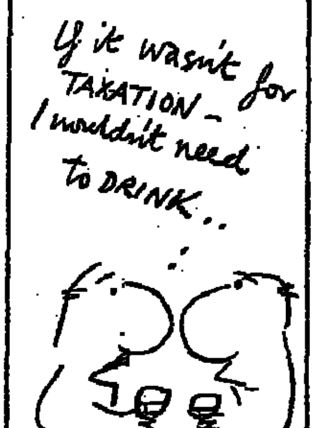
MPs agreed to abolish the rule that prisoners on remand *must* be brought before the courts every eight days. The committee stage of the Criminal Justice Bill provided for prisoners to appear every 28 days Page 3

TCCB unsure

The Test and *County Cricket* Board are to consider further Northamptonshire's proposal that the 14 players now in South Africa should be banned from county *cricket* Page 26

Britons injured in bus crash

Thirteen people, mostly British, were taken to hospital after their bus was in collision with a lorry north of Paris. The *injured were trapped for more* than an hour in the wreckage.





Leader page, 13
Letters: On National Service, from Lt-Col A. R. Wythe, and others; Laker, from Mr Adam Thomson; Baldwin, from Lord Baldwin of Bewdley

Leading articles: the Budget; Reagan and Parliament.

Features, page 12
Enoch Powell remembered the wit and dignity of Rab Butler; Spike Milligan and the holiday he would prefer to forget

Obituary, page 14
Lord Butler of Saffron Walden.

Arab Money: a six-page Special Report on the ways in which the Arabs are investing their oil wealth **Pages 19-24**

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NEWS IN SUMMARY

Ferry slips through blockade

The British Rail Sealink ferry St David docked at Dun Laoghaire, near Dublin, yesterday after a blockade was temporarily lifted because there was a sick passenger on board.

It entered the port with more than 400 passengers after a prolonged confrontation with the blockading B & I ferry Munster and an intense period of negotiating. The Munster appeared to pull out of the way, enabling the Sealink ship to slip through and berth.

The St David had failed in two previous attempts to beat a blockade set up in retaliation over action by Sealink workers at Holyhead who were objecting to a second passenger service between the two ports.

The captain of the St David requested Lifeboat assistance for the sick passenger from the skipper of the Munster but instead he was allowed to dock. The Munster soon moved back into position across the mouth of the harbour and was expected to keep the St David trapped at Dun Laoghaire until the dispute is settled.

Pickets' denial on ambulance

Striking porters picketing St Bartholomew's Hospital, in London, yesterday attacked reports that they had turned away an ambulance for a pregnant woman needing specialist treatment. Mrs Laura Purkiss, aged 20, of Hill Road, Chelmsford, Essex, lost her baby after waiting an hour to be transferred from St Bartholomew's to Westminster Hospital.

Mr Anthony Mowan, the administrator of St Bartholomew's, said yesterday: "In am not in a position to say whether the hour's delay affected the outcome, but common sense will allow me to say that it could not have helped". Members of the National Union of Public Employees said pickets had not attempted to obstruct access to the hospital for emergency cases, and would not have stopped Mrs Purkiss's ambulance if they had been told it was for an emergency.

Court refuses to end sit-in

The Court of Session in Edinburgh yesterday refused to hear an appeal by the management of the Plessey company over a rulin that workers should be allowed to continue a sit-in at the company's factory at Bathgate, West Lothian.

Lord Emslie, the Lord President, sitting with Lord Cameron and Lord Avonside, decided to continue the appeal until next Friday in case legal debate and a Court of Appeal ruling would interfere with negotiations between workers and management.

Shrinking tale of two cities

Portsmouth and Southampton have shrunk in the past 10 years while more people have moved to growing dormitory towns nearer London, the latest instalment of the official census, published yesterday, shows.

Portsmouth's population fell below 200,000 in the 1960s and decreased by a further eight per cent in the 1970s to reach just 180,000 last year. Southampton grew in the 1960s but fell back last year to little more than the 205,000 that it reached in 1961.

Nurses' pay may go to ballot

Health authority leaders last night made a formal pay offer of 6.4 per cent to 450,000 nurses and midwives after the Government's decision to relax its 4 per cent guideline for the nurses (our Labour Reporter writes).

Health service unions submitted claims for 12 per cent and after the offer was made Mr David Williams, assistant general secretary of the Confederation of Health Service Employees (Cohse) said: "I do not know whether the nurses will accept this."

Hoaxes halt trains

Railway lines in Northern Ireland reopened yesterday after being closed by bomb hoaxes after explosions on the track at Lisburn, co Antrim. The main line between Belfast and Dublin was closed again when a suspicious package was seen by the line in south Armagh.

Employers split over handling teachers' claim

By Diana Geddes, Education Correspondent

The Association of County Councils (ACC) reacted angrily yesterday to an announcement by the Association of Metropolitan Authorities (AMA) that it had decided unilaterally to back the teachers' demand that their pay claim be put to arbitration.

Two teachers' unions immediately said that they would call off their industrial action due to start tomorrow in all metropolitan authorities. They will go ahead with their sanctions in county authorities, however.

Mr Alistair Lawton, chairman of the Tory-controlled ACC's education committee and leader of the employers' side on the Burnham Committee, which negotiates teachers' pay, said that as late as last Wednesday night the employers had decided unanimously that they should not agree to the teachers' claim being put to arbitration.

"Even before the rules on arbitration were changed it was essential that the independent chairman of the Burnham Committee should accept that negotiations had irretrievably broken down before agreeing that the claim should go to arbitration", he said.

"We have not even started negotiating. The teachers have made a claim, we responded. It is really premature to go to arbitration. I am very angry; the AMA has acted appallingly. In my experience their behaviour is unprecedented.

"It is an extremely dangerous step for them to have taken. There is now going to be direct confrontation between the two associations. I am certain that my ACC colleagues will not agree to arbitration at the moment."

In a statement yesterday Mrs Nicole Harrison, chairman of the Labour-controlled AMA's education committee, said that the AMA had always opposed the Government's decision to change the rules on teacher's pay negotiations so as to require the agreement of both employers and unions before a claim could be put to arbitration.

Arbitration should be available to either side when further progress in pay negotiations proved impossible, she said. The AMA was therefore asking for a special meeting of the Burnham management committee to recommend that the dispute over the teachers' claim be put immediately to arbitration. Mr Lawton said that he had arranged a meeting of the management panel for March 18 before he had learnt of the AMA's announcement.

The National Union of Teachers and the Assistant Masters and Mistresses' Association, which between them represent about three quarters of teachers in England and Wales, have called off their planned action.

They will also call off their action in those county authorities which state publicly their support for arbitration. Oxfordshire, Derbyshire, Nottinghamshire and Cheshire have so far indicated this informally. However, the National Association of Schoolmasters/Union of Women Teachers, which represents nearly a quarter of teachers, remained adamant that it would persist with its planned action in all authorities until the Burnham management panel agreed to arbitration.

The action of all three unions involves withdrawal from the midday supervision of pupils and a refusal to take part in any stall and parent meetings after school hours. No strike action is planned at this stage. The teachers are claiming an 11-12 per cent rise from April 1. The employers have offered 3.4 per cent.

☐ Girls do better than boys in GCE O level and CSE exami- nations, according to a new research report drawn up by the Inner London Education Authority.

Progress made at 'Times' talks

By Donald Macintyre

The management of Times Newspapers is to meet representatives of The Times machine assistants this morning in an attempt to remove one of the main remaining stumbling blocks to an overall agreement on manning cuts.

Mr Rupert Murdoch, chairman of the company, yesterday gave a report on the negotiations to the board of Times Newspaper Holdings Ltd, which includes the Papers' independent national directors.

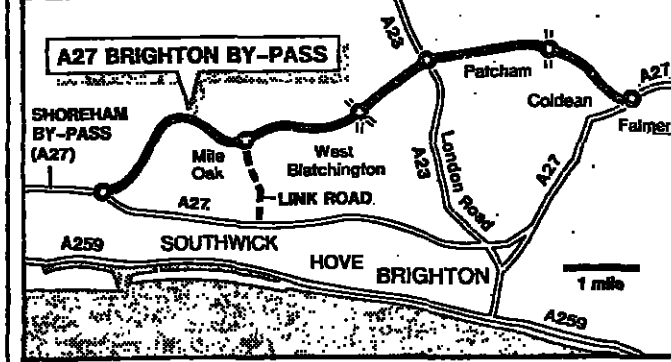
The company did not give details of yesterdays meeting, but according to a board member Mr Murdoch said he was "making progress".

Lord Greene of Harrow Weald, one of the independent national directors, said last night that Mr Murdoch had indicated that he was hoping that there would be a successful outcome, possibly near the end of this week.

The National Society of operative Printers, Graphical and Media Personnel (Natsopa) Times machine chapel (office branch) has rejected reductions of about 130 shifts a week which the management is understood to have been seeking.

The failure to reach agreement comes after a provisional deal with Natsopa clerical chapels providing for cuts of 200 posts, which was approved by members last night.

The TNHL board announced last night that Mr John Gross, who was editor of the Times Literary Supplement from 1974 until earlier this year has become an independent national director. Mr Gross, deputy chairman of Weidenfeld, the publishers, succeeds Sir Denis Hamilton.



Brighton road war opens

By Hugh Clayton, Environment Correspondent

The battle over what objectors call Brighton's "concrete corset" began in earnest yesterday with a claim from the Government that a new by-pass round the town would probably reduce local road injuries by 100 a year.

The determination of ministers to route a £41m dual carriageway for 8½ miles in a kinked semicircle around Brighton (see above) has appalled conservationists. Their case will be led by Mr Jogu Tyme, a veteran protester of many noisy road inquiries of the 1970s, who said before yesterday's event began that he looked forward to "a fascinating tournament of will and skill".

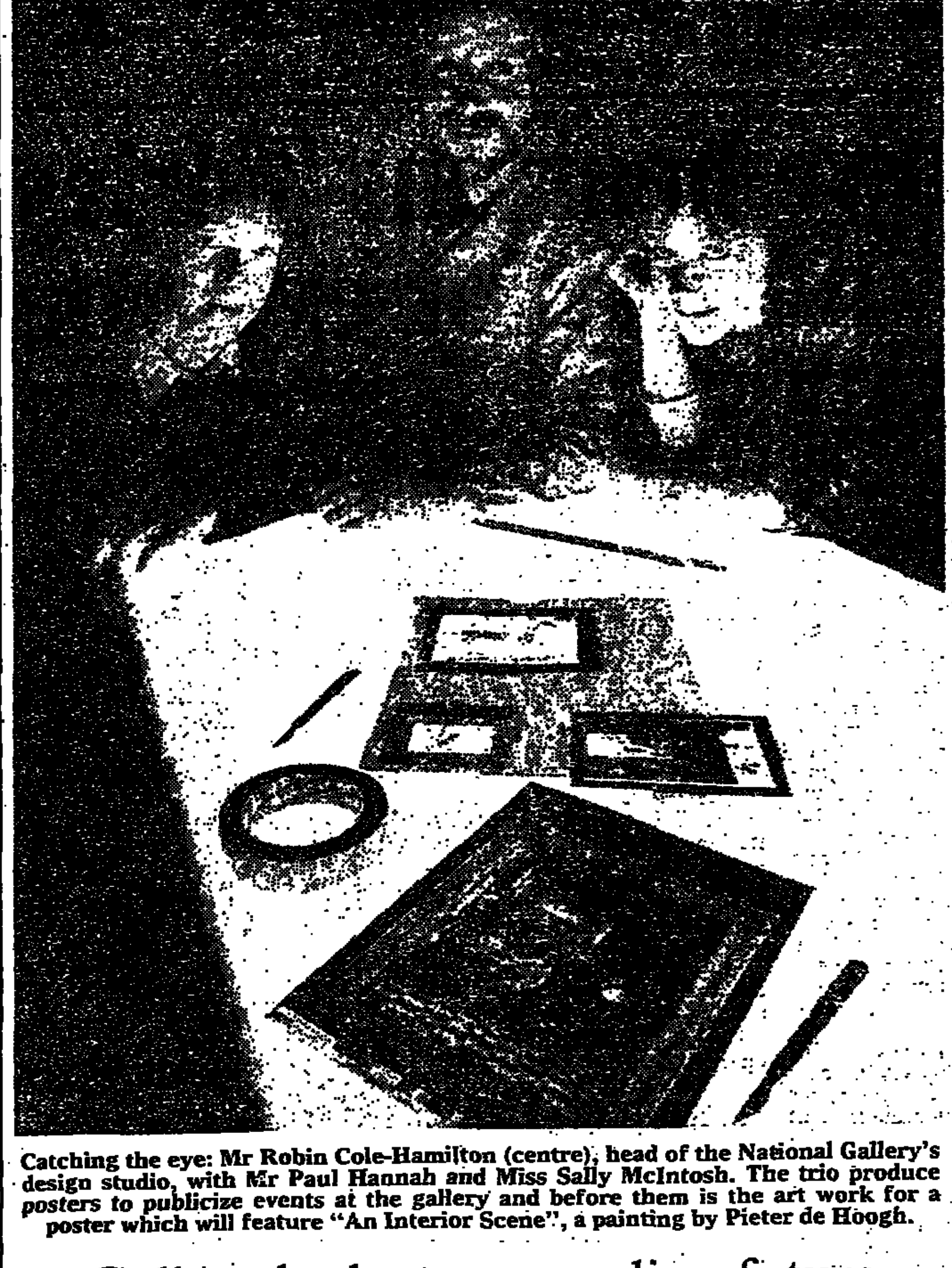
Mr Robin Grove-White, director of the Council for the Protection of Rural England, called the road plan "a nightmare to everyone concerned with the protection of the Sussex Downs". Conservationists fear that although the road would be close to the Brighton suburbs, it would spawn industrial development that would nibble northwards into the chalk landscape which shelters many rare plants.

The road would pass through several beauty spots, as well as requiring the demolition of 17 buildings, including a school. Objectors include the Countryside Commission agency that oversees areas of outstanding natural beauty, including the Sussex Downs.

Mr David Smith, counsel for the commission, said he had been instructed by the Treasury Solicitor, who also instructed Mr Michael Burrell, who led yesterday for the Government.

The road has gained majority support from four of the five local authorities whose land it would touch. Mr Burrell said the road was necessary to relieve the Brighton sections of the A27 from Kent to Devon.

"Traffic in the area can be expected to increase until at least the turn of the century", Mr Burrell said. He accepted that the road would bring "alien elements" to a peaceful area, but said the Government had planned careful landscaping, including a 100-metre tunnel to hide the road from a beauty spot. The inquiry may last until September.



Catching the eye: Mr Robin Cole-Hamilton (centre), head of the National Gallery's design studio, with Mr Paul Hannah and Miss Sally McIntosh. The trio produce posters to publicize events at the gallery and before them is the art work for a poster which will feature "An Interior Scene", a painting by Pieter de Hoogh.

Gallery looks to expanding future

The planned extension to the National Gallery, London, which is to be a commercial development to the west of the building, should be open by the end of the decade, Lord Annan, chairman of the trustees of the gallery, said yesterday (our correspondent writes).

He hoped it would be sooner, but added that it took a long time to bring such projects into operation. Sir Michael Levey, director of the gallery, who is concerned about the lack of space in the present building, insisted that the new accommodation must be completed as soon as possible.

The extension, announced by the Government last December, came on the initiative of the gallery trustees, who believed that the Government would be unlikely to finance the project for some time and suggested a commercially financed building with guaranteed space for the gallery.

A competition for the new building, which will combine offices with at least 20,000 sq ft of gallery space, is under way. The winner will be announced by the Department of the Environment next September, and the building will be completed on land owned by the Government at no cost to the public.

Lord Annan told a press conference to launch the National Gallery's report for 1980-81 that the gallery had no space for more paintings, yet acquired several each year and would probably have increased the collection by 50 paintings by 1990. Quite how the gallery will acquire them is another matter, for Lord Annan, while paying tribute to the National Heritage Memorial Fund as a source of finance, was concerned at the gallery's capacity to make a purchase.

"That we have managed over the last two years to purchase great paintings by Altdorfer and Claude is partly because of private treaty sale arrangements and partly because of the substantial support of the Heritage for such items," he said.

Monarchy 'may have to go'

By Philip Webster
Political Reporter

The latest Militant Tendency supporter to be endorsed as a prospective parliamentary candidate by the Labour Party organization committee said yesterday that the abolition of the monarchy might be necessary to ensure that a left-wing Labour government could carry through its programme.

Mr Derek Hatton, who was accepted without objections on Monday as the candidate at Liverpool, Wavertree, appeared fully to support the controversial speech last week of Mr Patrick Wall, the disputed prospective Labour candidate at Bradford North.

Mr Hatton's remarks, on BBC radio's World at One will cause further anxiety among leading Labour moderates who believe that the Militant group is contemptuous of the party leadership and prepared openly to flout the spirit of the Bishop's Stortford peace pact.

Mr Hatton said in the interview that he and Mr Wall stood clearly for the introduction of a 35-hour week and a huge programme of public works. That could not happen without a socialist plan of production, taking over the commanding heights of the economy, the banks, insurance companies and finance houses.

Asked whether he accepted it it might be necessary to abolish the monarchy and the House of Lords, as well as dismissing the generals, the admirals, air marshals and others, Mr Hatton replied: "It certainly may be necessary. There is no way under a socialist society that those individuals who are part and parcel of the system which has caused misery and is causing it at present could be part and parcel of the new socialist system."

He added: "We believe in parliamentary democracy. If we did not we would not be standing for positions in Parliament." Through Parliament an enabling Act could be introduced to remove the Lords completely.

☐ The Liberal and Social Democratic leaderships have agreed that the Liberals should contest the forthcoming Beaconsfield by-election, caused by the death of Sir Ronald Bell, the Conservative MP. He had a majority of 21,495 over Labour in the last general election.

Hillhead attack on Labour 'cosmetics'

From Jonathan Wills, Glasgow

Sporadic sniper fire continued on the Hillhead by-election front yesterday and the candidates reserved their heavy ammunition for today's big battle in the aftermath of the Budget.

The target was Mr David Wiseman, the Labour candidate. The Social Democratic and Conservative candidates taunted him over the events of Bradford, North.

Mr Gerald Malone, for the Conservatives, said that the action taken by Labour over the reselection of Mr Patrick Wall as their candidate there was "largely cosmetic".

Mr Malone noted that, while refusing to endorse Mr Wall over tachnicalities, the Labour Party's organization subcommittee had "nodded through" the candidature of Mr Derek Hatton, another Militant supporter, in Liverpool, Wavertree.

That showed, Mr Malone said, that Mr Wiseman's party remained a left-wing party and the Bishops Stortford ceasefire was drawn up on left-wing lines.

Mr Roy Jenkins, one of the SDP leaders, made a similar point. He said that the decision to hold a reselection conference in Bradford was concerned with procedural details rather than with political issues of substance.

Mr Wiseman remained unperturbed by the flak and lobbed some of it back. He said that Mr Wall was no friend of the Labour Party and his militant views were so outlandish that they could well serve to unite the party

Describing himself as a member of the democratic left, Mr Wiseman concentrated on devolution. Labour was the only party that could deliver a Scottish Assembly now that the Scottish National Party had clearly embraced separatism.

The Conservatives had gone back on their word on devolution for Scotland, and Mr Wiseman found it significant that Mr Jenkins was choosing his words carefully, talking about decentralization instead of devolution.

The latest opinion polls show that the undecided voters outnumber the committed, but that is not worrying the Jenkins camp. It says that it shows that the voters of Hillhead are studying the issues and the candidates before making up their minds in fovour of the SDP.

£16,183 for Prince Edward

The Royal Family is to receive an overall increase of 8.1 per cent in its Civil List provision, almost 4 per cent below the rate of inflation.

The Queen's rise of 8.6 per cent is the largest. Her Civil List payment goes up from £3,260,000 in 1981-82 to £3,541,000 for 1982-83.

For the first time Prince Edward, her youngest son, who is 18 today, figures in the list. The Prince, who is still at Gordonstoun, is awarded £16,183, a proportion of the £20,000 he is entitled to in a calendar year.

A Buckingham palace spokesman said yesterday that the Civil List increases were very modest and totally in line with government guidelines.

"We are very pleased with the considerable economies that have been made. Twenty members of the staff have taken voluntary redundancy in the last year and costs have been cut where at all possible. For example, more than £50,000 has been saved on stationery," he said.

The Queen Mother's allocation rises from £286,000 to £306,000, an increase of 7.2 per cent, and the Duke of Edinburgh's allowance goes up from £160,000 to £171,100, an increase of 6.9 per cent. The Prince and Princess of Wales receive nothing from the list; their income comes from Duchy of Cornwall revenues.

Both Princess Anne and Princes Margaret receive rises of about 6.5 per cent. Princss Anne's allocation goes up from £100,000 to £106,500 and Princess Margaret's from £98,000 to £104,500. Prince Andrew continues to receive £20,000.

The palace spokesman said that 70 per cent of the rise for the Royal Family would go to meet increased staff wages and salaries. The rest was to cover inflation.

Four other members of the Royal Family, the Duke of Kent, Princess Alexandra, the Duke of Gloucester and Princess Alice Duchess of Gloucester, also receive Civil List increases, but the total of £304,700 paid to them is refunded by the Queen to the Government out of her personal income.

The total coast to the Government of the Civil List goes up from £3,964,200 to £4,308,183.

Haughey is back as Prime Minister

From Richard Ford, Dublin

Mr Charles Haughey was elected Prime Minister of the Irish Republic yesterday for the second time with a comfortable majority of seven over Dr Garret Fitzgerald. He returns to power at the head of a minority Fianna Fail Government after weeks of negotiation with independents holding the balance of power. He committed his administration to spend an extra £120m. Mr Haughey, aged 56, was elected Taoiseach by 86 votes to 79.

Although his party, with 81 seats, has no overall majority Mr Haughey, as head of Fianna Fail, has a majority of 18 over the next largest party, Fine Gael, who have 63 seats. Astute politician that he is, Mr Haughey is likely to avoid any uniting of independents in a vote which could bring him down.

Cheering greeted Mr Joe Sherlock's promise of the three Sinn Fein Workers' Party votes for Mr Haughey.

Mr Haughey also gained the support of his old comrade, Mr Neil Blaney, independent Fianna Fail, who said the last thing the country wanted was another election in the near future.

Among the commitments Mr Haughey has given to ensure support are promises to increase the housing programme of Dublin corporation, to allocate more money for housing this year, to provide cash for environmental works and corporation repairs and maintenance work, to build a preschool community school for the central city area, to abandon a controversial motorway plan for Dublin, to nationalise 27 acres of dockland and if no other solution is possible, nationalize Clondalkin paper mills, on the outskirts of the city.

Dr FitzGerald gained the support of only one independent, Mr Jim Kemmy, the man whose vote against the budget brought about the collapse of the coalition government. He sat expressionless throughout the lead-up to the vote. The tenacity with which Dr FitzGerald had attempted to stay in office surprised many people but he believed the task and scale of the problem facing the country was such that he must make the attempt.

The state of the parties is: Fianna Fail 81 seats, Fine Gael 63, Labour 15, Independents 7.

☐ In Belfast Mr Haughey's success is considered likely to stiffen opposition to the proposed third tier to the Anglo-Irish inter-governmental council (our Belfast Correspondent writes). His hard line on Irish unity is certain to increase suspicion about the whole concept of the London-Dublin agreement, of which he was the main architect during his previous term as Prime Minister.

Muddle over Polish polio patient

By Peter Evans
Home Affairs Correspondent

Mrs Peggy Markiewics, who is in a London hospital at a cost of about £800 a week, coult go home tomorrow.

But a young Polish woman whom the hospital are willing to pay £50 a week to look after her at home cannot get a work permit from the Home Office, which has put a limit to her stay in Britain.

Mr Wladyslaw Markiewics, aged 61, a former Free Polish soldier, says that the hospital treating his wife, the South Western, wants to pay the girl, Miss Grazyna Adamski, a weekly wage and board and lodging under an outworker scheme, thus saving the country thousands of pounds over a year.

Mrs Markiewics, aged 64, caught poliomyelitis in 1956 and has been paralysed from the neck down ever since.

The couple, who went to live in Poland 11 year ago, came to England for a holiday last year, but were unable to return because of the crisis there. Mrs Markiewics became so ill that she had to enter hospital.

Miss Adamski, aged 26, an electronics research worker, has looked after Mrs Markiewics on a part-time basis in Poland and is an obvious candidate for the hospital scheme.

The Marciewics have a home in Finchley, north London, which is occupied by squatters, and have been allocated a council flat near by, at Edgware.

Miss Adamski has given notice of appeal against the decision to refuse her permission to stay and take the hospital's job. She is one of 900 people the Home Office says have approached it and been given extensions of their stay. "No one is being required to leave for Poland at the moment", a Home Office official said yesterday.

The hospital said that everyone agreed Mrs Markiewics would be better off at home. "We should like Mr and Mrs Markiewics to have someone with whom they were happy." Miss Adamski could be employed if she got a work permit quickly.

Science report

Language of science and the ecosystem

By Tony Samstag

The press, and The Times by name, is criticized in, of all places, the latest issue of the Journal of Animal Ecology. The sin is alleged imprecision in the use of scientific language, and the accuser is Professor G. M. Dunnet, of the Department of Zoology, University of Aberdeen, and a former president of the British Ecological Society.

"As ecologists", Professor Dunnet writes, "I suppose we should be pleased at the frequency with which we see our subject apparently highlighted in the press and other media, and the way in which people from a wide variety of professional and other backgrounds associate themselves with what they consider to be ecological ideas.

"Even the ecosystem, one of our more complex concepts, is frequently referred to by people, who, for example, may wish to ensure that it is not 'damaged'."

The professor quotes a reviewer in The Times describing a book as "a worthy addition to the ecosystem" and continues: "It is not my impression that he had recycling in mind, and I am sure nothing was further from his thoughts; but what else could such a statement mean?"

The author adduces several other examples: a town-planner who described a street as "ecologically satisfactory"; the Ecology Party, "whose manifesto I have so far been unable to find", and even a heating engineer in a school of architecture who introduced himself as "an environmental scientist".

There is, of course, a kind of folk logic at work here; it is not hard to understand the transition between "ecology, a branch of biological sciences, developed originally in relation to plants and animals and their environment", and the tendency to see "man's environment... as 'the environment', which is often regarded as similar to or even synomnymous with 'the ecosystem', and a strong need is perceived to safeguard it".

Professor Dunnet discusses the abuse of the word "conservation", and the growth of "environmental science" in universities and elsewhere as "a gathering together of old subjects into new envelopes".

Another difficulty is that the media "have conditioned us to expect and to take an interest in only the most sensational items of news and the more confrontational and controversial never-completed debates".

As a result, "the public is no longer receptive to, or even tolerant of, thoughtful discussion, or the careful evaluation of data and scientific evidence which may lead to cautious statements of interpretation and, possibly, even some tentative predictions. Indeed, ecological ideas are frequently presented in spectacular and exotic films on television, rather than related to close-to-home practical problems".

Source: Ecology and Everyman, by G. M. Dunnet, Journal of Animal Ecology (vol 51, No 1, February 1982). British Ecological Society, Harvest House, 62 London Road, Reading RG1 5AS.

MEAT CUTS DIVIDING SHOPPERS

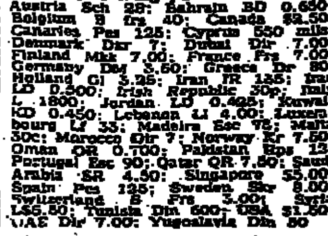
By John Young
Agriculture Correspondent

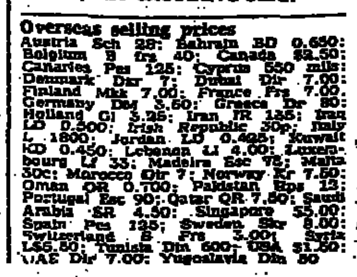
Many young women shoppers cannot tell the difference between a sirloin steak and brisket, according to a survey carried out by the Meat Promotion Executive of the Meat and Livestock Commission. The executive believes such shoppers either do not care or are too frightened to ask for advice.

Of 500 women shoppers asked to identify eight popular cuts of beef from photographs, more than a quarter failed to recognize any of them. Those cuts that were most easily recognized were brisket and shin; only 23 per cent were able to identify sirloin steak.

When it came to identifying which parts of the carcass the cuts came from, only 10 per cent managed an all correct score. No one cut was correctly positioned by more than 40 per cent of those questioned. Those shoppers aged under 35 fared worst, the executive said.

Overseas selling prices
Austria Sch 28; Bahrain BD 0.650; Belgium B frs 40; Canada $2.50; Canaries Pes 125; Cyprus 550 mils; Denmark Dkr 7; Dubai Dir 7.00; Finland Mkk 7.00; France Frs 7.00; Germany DM 3.50; Greece Dr 80; Holland Gl 3.25; Iran IR 125; Iraq LD 0.300; Irish Republic 30p; Italy L 1800; Jordan LD 0.425; Kuwait KD 0.450; Lebanon LL 4.00; Luxembourg Lf 33; Madeira Esc 75; Malta 30c; Morocco Dir 7; Norway Kr 7.50; Oman OR 0.700; Pakistan Rps 13; Portugal Esc 90; Qatar QR 7.50; Saudi Arabia SR 4.50; Singapore $5.00; Spain Pes 125; Sweden Skr 8.00; Switzerland S Frs 3.00; Syria LS6.50; Tunisia Dim 600; USA $1.50; UAE Dir 7.00; Yugoslavia Din 80





BBC breakfast television to start next year

By Kenneth Gosling

Breakfast television starts on BBC-1 early next year. It will be on the air from 6.30 am for about two and a half hours with a news and information service from an existing studio at Lime Grove in London.

The cost, about £5m a year, will come from the BBC's existing budget. The decision was taken 10 days ago by the board of governors, which also encouraged the television service in its plans to strengthen afternoon programmes on BBC-1.

No opening date has been fixed for the service because its operation is subject to negotiations with the unions. But on the present approximate timetable it is likely that BBC viewers will see breakfast programmes before the commercial service operated by TV-AM in May.

Mr Alasdair Milne, managing director of BBC television and director general designate, admitted at a press breakfast at the television centre yesterday that the service had not been one of the BBC's immediate priorities.

"We intended to get around to it one day, but the Independent Broadcasting Authority's announcement of a franchise obviously made us think again."

Mr Milne said the original plan for "radiovision", a combined radio and television service, had been rejected although it was an open secret that there was a strong feeling in radio that it was a better idea. A proposal by the BBC network centre at Birmingham that a breakfast service should emanate from there was also discarded.

Mr Milne said the service could be provided extremely cheaply. The total was less in a full year than 1 per cent of the BBC's annual expenditure and at £7,500 an hour represented exceptionally good value. The average cost an hour for all output is £34,000.

About a hundred new jobs will be created, mainly in the technical area. A general manager for operations and services, Mr Philip Gilbert, has been appointed to run the "topical centre" at Lime Grove with a small management team. A programme editor has still to be appointed, as well as the presenters.

Initially the service will run on weekdays but later it may be extended to weekends and late into the morning. Its cost is expected to be met from increased commercial revenue, particularly from ventures such as the new cable contract in the United States and from reorganizing the BBC's resources.

It was decided to start breakfast television, Mr Milne said, because viewers should be given a choice at this time, as they were at most others. There were several million pensioners, shift workers, housewives and unemployed people who would watch, a the BBC could not be seen to leave this new and important area of broadcasting to the commercial sector.

A total audience of about three million is expected for breakfast television when both services are running.

Remand rule extended to 28 days

By Frances Gibb

The abolition of the rule that prisoners on remand must be brought before a court every eight days was agreed by MPs in the committee stage of the Criminal Justice Bill yesterday after a heated debate among the Labour members, who were divided.

Under new provisions, which have been opposed by the Law Society and the Legal Action Group of Lawyers, prisoners will be brought before a court every 28 days unless they do not consent to remand hearings taking place in their absence.—

That can only occur if the prisoners are legally represented, but solicitors have argued that prisoners will spend longer periods in custody as there will be less sense of urgency to proceed with their cases. They also say that some prisoners may feel under pressure from the court or solicitors to waive their right to appear for the sake of convenience.

Mr Artur Davidson, QC, Labour MP for Accrington, a frontbench spokesman, said the clause was a retrograde step. It was a significant change to one of Britain's cherished principles. The Government was implementing it for the sake of administrative convenience.

"As a result of this clause more people will be remanded in custody, because fewer people will appear for bail applications and be granted bail."

Dr Shirley Summerskill, Labour MP for Halifax and another frontbench spokesman, said the Law Society had feared that injustices would arise from the clause and had recommended that the eight-day rule be extended only to 15 days.

Supporting the measure, Mr Alexander Lyon, Labour MP for York, said the issue was whether defendants were disadvantaged by the new clause, and in his opinion they were not. There was a considerable burden on prison staff to bring prisoners to court every eight days, which meant a drain on the prison service in its other activities within the prison.

Agreeing, Mr Robert Kilroy-Silk, Labour MP for Ormskirk, said there were adequate safeguards to protect a defendant's rights.

Mr Patrick Mayhew, Minister of State at the Home Office, said the Govrernment would look at how the system could be monitored.



Brigadier Helen Meechie, who at 44 has become the youngest Director of the Women's Royal Army Corps. She has also been appointed honorary Aide-de-Camp to the Queen.

EX-PRISONER ON JURY HALTS TRIAL

From Arthur Osman
Coventry

A prison officer on duty at Coventry Crown Court saw a former inmate of Winson Green prison, Birmingham, on the jury which was trying a case involving a man accused of three charges of burglary. Yesterday the trial was stopped, a new jury was sworn in and the former prisoner, who said later he had served a total of 15 years, was reported for possible prosecution.

Mr Herbert John Warner, aged 54, a caretaker, of Stoke Aldermoor, Coventry, said outside the court: "I thought I would be in trouble if I did not go to court". The prosecution had opened the case to the jury on which Mr Warner was sitting on Monday but no evidence had been called.

Yesterday at the start of the day's court business Mr Warner stood in the well of the court before Mr Peter Crawford QC, the Recorder. The Recorder said: "After a trail had begun in which you were sworn as a juror you agreed you were disqualified from sitting on a jury.

NEWS IN SUMMARY

Solicitors in contempt of House

By Anthony Bevins
Political Correspondent

A Liverpool firm of solicitors was found yesterday to have acted in contempt of the House of Commons. The Commons Select Committee of Privileges ruled that Messrs E. Rex Makin and Company breached parliamentary privilege in a letter ot Mr Robert Parry, Labour MP for Liverpool, Scotland Exchange, last December.

But it was agreed that because the breach was marginal and because of a prompt apology issued by Mr Makin, no penal action should be taken.

The MP's complaint arose from a letter which stated that a speech made by Mr Parry in the House, implying corruption by Sir Trevor Jones, Liverpool City Council's Liberal leader, was scurrilous defamatory and inaccurate.

Mr Parry had criticized the council's housing policy by reference to a report in the *New Statesman*. The Solicitors' letter said that libel proceedings had been commenced by Sir Trevor against the *New Statesman* and that unless Mr Parry took unspecified, "appropriate steps" Mr Makin would seek to obtain incresed damages for his client.

Murder case man is freed

Mr Newton Rose, the black Londoner whose murder conviction was quashed by the Court of Appeal on Monday, was free today.

The appeal judges granted him bail pending a possible appeal to the Lords in which the Crown would argue for a retrial. Surities of £38,000 were put up for Mr Rose, aged 21, a decorator, of Olinda Road, Stoke Newington.

The convictions were quashed because the judge at the Central Criminal Court last December secretly gave the jury a deadline in which to reach a verdict.

Cambridge poll blow to SDP

Mr Tim Catlin, a nephew of Mrs Shirley Williams, has failed to become the first Social Democratic Party president of the Cambridge University Student's Union. The presidency has gone instead to Miss Ann Robinson, aged 22, a third year student at Newnham College, who stood as an independent but has broadly Labour sympathies. Mr Catlin a third year student in architecture at Trinity College came fourth out of five contenders.

Although the union deputy presidency has gone to a Liberal and there will be another Liberal on the executive, social democrats have not won any of the eight other places on the executive.

Law Report page 31

New Beatles drive

Beatles supporters are pressing for three Liverpool streets to be named after the group's forner manager and two former members in addition to John Lennon Drive, Paul McCartney Way, George Harrison Close annd Ringo Starr Drive. They want to see streets named after Brian Epstein, Stuart Sutcliffe and Pete Best.

Rampton trial date

Three nurses from Rampton hospital, Nottinghamshire, charged with ill treatment of patients are to stand trial at Nottingham Crown Court on April 14. They were committed for trial at Mansfield last month.

Holiday home hotel

Twenty-four bedrooms in the five-star clifftop Carlton Hotel, at Bournemouth, are being turned into eight luxury suites to give owners a second holiday home until 2025. The work will cost £200,000.

No smoking holidays

Hoseason's, a holiday home company, are to offer chalets for non-smokers at the Tolroy holiday village, near St Ives in Cornwall this summer. The chalets will not be let to smokers.



"Are you OK, Mr President?"

Banks fear Polish debt will last for years

From Peter Norman, Brussels, March 9

After nearly three months of military rule in Warsaw, West European bankers, owed billions of dollars by the Polish state, are now predicting that it will take at least until the end of the 1980s for the Polish economy to return to some semblance of normality.

The quick, cynical judgments of mid-December that martial law would quickly reverse Poland's rapid economic decline and accelerate the service and repayment of the country's crippling Western debt have now been completely discarded by bankers.

So, too, has the umbrella theory, the doctrine that persuaded Western bankers to lend about $80,000m (£45,000m) over the past decade to the Soviet Union and its Eastern block satellites, despite thier obvious inefficiency, in the belief that Moscow, with its immense natural resources, would always be able to guarantee payments of interest and principal. Instead, Poland has still to pay in full the $500m in interest it promised by the end of last year as a condition for rescheduling $2,400m worth of commercial bank debt due in 1981.

With an estimated $40m to $50m outstanding, bankers can be fairly confident that the Poles will finally meet their commitments by early April. But this achievement will be clouded by the knowledge that not a penny of interest owing from the first months of this year will have been paid. Nor will anything have been done about the $4,700m worth of debt that is waiting to be rescheduled by Western governments and banks this year.

"Even on the most optimistic assumptions, we will have to hang on for five, six or maybe eight before the Polish economy is half-way back to normal," was the comment of one West German banker who has been closely following the saga of the Polish debt. "People are now making comparisons with the situation in Poland between the wars and predicting that the military regime will last. Nobody expects the economy to normalize in three to four years. There is simply no money available for that to happen, he added.

The hopelessness of the Polish debt problem, with the country owing about $27,500m to its Western creditors, in possession of no worthwhile assets in the West and unable even to make interest payments on time has meant that Western bankers have had no other choice but to accept the Poles' excuses and delays in payment.

So long as some interest is dribbling into the Western creditor banks, they do not feel obliged to declare the country in default. This means that banks do not have to make expensive write-offs of their loans to the Poles, though supervisory authorities and prudence will dictate at least some adjustment to balance sheets as final 1981 accounts are drawn up in the coming weeks.

There is no sign so far that any of the 500 or so banks which are oved money by the Poles is inclined to rupture the united front on the debt issue.

The American Administration, despite its hostility to General Jaruzelski's regime, has not put pressure on American banks to break ranks; and according to European bankers the task force of 19 international banks, which includes large United States creditor institutions, is united now as never before.

But even if Poland were now paying its interest on time, it would be hard-pressed to obtain new funds because of the sanctions imposed on the Warsaw military regime by some Western states.

For this reason, the arithmetic of the rescheduling exercise is looking increasingly dubious; and although Western banks now believe they can round off their 1981 accounts without too much difficulty, their problems will be that much greater in a year's time and greater still for every successive year until the Polish economy finally gets back on its feet.

For the banks there is also an unwelcome political element to any 1982 rescheduling of Polish debt. It is far from clear that Western governments will again be prepared to negotiate with the Poles in a block. Those creditor governments that are members of Nato may refuse to negotiate as part of a policy of sanctions against Warsaw, while other neutral governments such as Austria have indicated that they are keen to reach agreement.

Even without these political problems, many Western bankers fear that Poland's economy could now be in a downward spiral as Western money and imports dry up Increasingly Poland is being forced to rely on support from the Soviet Union and its Eastern block satellites at a time when the economic crisis in Poland is dealing real damage to the Comecon group of countries.

These problems are being compounded by a virtual halt to new East block lending by Western banks, so that in West Germany some bankers would no longer be surprised if East Germany and other Eastern block states were to follow the Polish and Romanian examples and seek to reschedule their Western debts.

3 million sign seal petition

From George Clark,
Strasbourg, March 9

The demand for a total ban on the import of seal products into the European Community, designed to end the clubbing of seal cubs in northern Canada, has received the backing of three million people.

However, Greenland and Norway, backing by the British Labour group, complained in Strasbourg today about the cynicism of those who had organized the compaign which attracted so many signatures for the petition presented to the European Parliament.

Representatives of the International Fund for Animal Welfare presented the petition today to Mr Piet Dankert, the president of the Parliament, and Mr Ken Collins, Labour MEP for Strathclyde, East, who is the chairman of the Parliament's environment committee.

It called for a total ban on products derived from the young of the harp and hooded seals , two species hunted off the Canadian coast and near Jan Mayen Island each spring. The petition was signed in the 10 countries of the Community, in the United States, Canada and Australia.

Mr Dankert expressed amazement at the size of the petition, which stood in a pile of boxes in the foyer of the Parliament: "I hope that this Parliament, by dealiing with the issue on Thursday, will further increase the political pressure and so bring an end to the atrocities which are going on."

There seems little doubt that the resolution will be approved. It includes an instruction to the Commission to ensure that the interests of the Eskimoes in the Arctic region are fairly considered and that controlled trading in the products made from endangered species should be permitted.

NEWS IN SUMMARY

Gaddafi appeals to exiles

Beirut. — Colonel Gaddafi, the Libyan leader, has invited his exiled opponents to a reconciliation meeting during his visit to Austria this week, according to the official Libyan news agency Jana.

Jana said the four-day visit would provide an opportunity for Libyans living abroad "either because of their specializations or for other reasons" to discuss with Colonel Gaddafi obstacles to their return to Libya.

In 1980, unidentified gunmen assassinated several Libyans living in Europe and the Libyan revolutionary committee called for the "physical liquidation" of opponents of the Libyan government abroad.

Women kidnap victims sold

Peking. — Women are being kidnapped and sold to men seeking wives, according to a letter broadcast by a radio station in Hubei, Central China.

Several young men had been cheated by kidnappers: "They paid their money but never received their wives". In one area five young and middle-aged commune members had bought women from abductors and married them.

Channel tunnel decision 'soon'

Strasbourg.—A decision on the Channel tunnel project is expected soon, Mr Georges Kontogeorgis, the EEC Commisioner for Transport, told the European Parliament here. A resolution calling for a European master plan for rail and road development was approved (George Clark writes).

He made no comment on the proposal put forwrd by Mr Ian Paisley, Democratic Ulster Unionist member for Northern Ireland, that European aid should be given to building a Channel tunnel between Larne and Stranraer.

£3m payout for wrong diagnosis

New York. — A New York hospital has agreed to pay $5.5m (more than £3m) to an employee whose case of glaucoma was misdiagnosed as flu. The woman went blind after she was sent home from the hospital.

Miss Susie Kim, aged 45, a laboratory analyst, will get $900,000 immediately, then $120,000 a year for life. In addition, she will receive $1m at intervals over the next 20 years.

Philippine protest

Manila.—About 600 women demonstrated at the Philippine National Assembly against the introduction of a Bill to legalize prostitution.

CORRECTION

In yesterday's report on the proposal for a proportional voting system for the next direct elections to the European Parliament the figures for Labour seats were transposed. Labour won 17 seats in 1979. Under a regional list system they might have won 26.

Confusion on Walesa angers wife

Warsaw, March 9. — Mrs Danuth Walesa, the wife of the interned Solidarity leader, reacted angrily today to a guarded government statement about prospects for his temporary release to attend the christening of his daughter.

She also said that whatever happened over the christening, set for March 21 in Gdansk, she did not expect her husband to be freed for good.

Mr Sylwester Zawadzki, the Minister of Justice, told a conference yesterday that no request for the release of any internee for a christening had yet come under government review.

Mrs Walesa told Reuters in a telephone interview from Gdansk that Mr Zawadzki's remarks were "boorish". Stanislaw Ciosek the Trade Union Affairs Minister, had pledged that Mr Lech Walesa would be released for the baptism.

"Now it is cheeky to say that an application is required," Mrs Walesa said.

"Lech will get this damned application from Bishop Czeslaw Kaczmarek (of Gdansk) and me."

Asked if the March 21 date for the baptism was final, she replied: "Yes it has been definitely and formally fixed ... it will be at 3pm in our parish church at Zaspa-Gdansk."

□ Polish television said today that its announcers would no longer appear in military uniform.

The announcers were in civilian clothes at today's late news

□ A project that sent thousands of helium-filled balloons to Northern Poland with advice on resisting martial law was a failure and shunned by the local people, Warsaw radio said today.

Liège cut off by big strike

From Ian Murray
Brussels, March 9

The province of Liège was virtually cut off and at a standstill today as trade unionists took to the streets, motorways and railway tracks to protest against the Governments austerity measures. Public services were shut down, and pickets stopped people going into banks, insurance offices and the university.

The strike which has shut down the steel industry in Liège and other parts of Wallonia for the past fortnight continued, while the textile and engineering industries were also disrupted

The industrial action was called by the Socialist FGTB union. but received strong support from members of the Social Christian CSC union

It was the most widely followed protest call since the coalition Government announced it was to introduce a series of austerity measures. The most unpopular of the Government's proposals, which are due to be adopted on Friday, are those cutting social security benefits by nearly £212m, while increasing contributions by £125m.

These moves, aimed at eliminating the social services deficit by the end of the year, have added to union anger already sparked by both a cut back in index-linked wage increases and unemployment which, at more than 13 per cent, is easily the highest in Europe

The trade unions in the French-speaking part of the country—which includes Liège—are particularly worried and annoyed because they represent the majority of the country's steelworkers, up to 10,000 of whom are now facing redundancy

Move to reform law on illegitimacy

From Our Correspondent, Edinburgh

Changes in the law of illegitimacy are called for by the Scottish Law Commission in a consultative document issued yesterday.

At present an illegitimate child has no legal guardian unless one has been appointed by a court, and neither parent can appoint a guardian in a will.

Dr Eric Clive, a commissioner, said in Edinburgh yesterday that meant that if a child was injured in a road accident no one had the legal standing to raise an action for damages.

The commission proposes to change that and recommends that the child's mother should automatically become guardian and that the father should be able to apply to the court for guardianship.

In relation to inheritance, the commission suggests that an illegitimate relationship should be treated as legitimate. An illegitimate child would then be in a position to inherit from other than a father or mother.

The commission also pointed to difficulties in the law relating to adoption, because a father is not regarded legally as a parent and his agreement to adoption is not required.

Dr Clive said they were anxious to find a way of recognizing the position of the father, who had a reasonable claim to be regarded as an interested parent, one who had perhaps helped to bring up the child and shown an interest in its future.

The commission is also seeking views on whether the law should go farther in enabling illegitimate children to be legitimized. That could be achieved now by the parents marrying.

But Dr Clive said there were cases of parents who were not in a position to marry or did not want to, but wished their child to be recognized as theirs and have the legal rights of a legitimate child.

Grain embargo claims spark Brussels fury

From Ian Murray, Brussels, March 9

The European Commission today responded angrily to a resolution passed last night by the European Parliament suggesting that it had undermined the embargo on grain sales to the Soviet Union imposed after the invasion of Afghanistan.

The Commission said in a statement today the the allegation was based on "figures selected without explanation." Parlianent's conclusion it said "is totally wrong and such allegations could seriously damage the Community's international reputation and relations with trading partners."

Parliament's 16-point resolution expressed astonishment that the exports to the Soviet union in 1980 had increased four fold over the average for the three previous years and by 340 times for corn exports.

The Commission was "invited" to indicate under what budgetary authority these "excessive" sales were carried out and told that in future it must present detailed and clear accounts on agricultural exports to Parliament.

In its reply, the Commission said that it "faithfully applied controls on agricultural exports to the Soviet Union throughout the period of the *embargo.*" It issued no wheat export licences for the whole of the period. It extended the embargo to other products such as butter, beef and poultry, and it reduced the level of refunds related to exports to *the Soviet Union.*

"By applying these principles", the statement said, "the Commission assured full respect *of the principle* that Community deliveries should not replace United States' deliveries to the Soviet market".

The Commission pointed out that export licences valid for four months were issued for 576,000 tonnes of wheat and were approved before the Soviet invasion of Afghanistan. "All countries engaged in the *embargo recognized* at the outset that it was not feasible to stop supplies already in the pipeline at the time of the decision".

Commission officials were today wondering whether they could do anything to meet the "invitations" and "requests" in the parliamentary resolution. All the details about trade with the Soviet Union had been made available to Parliament and there was nothing to add.

The Commission will contest strongly any attempt by Parliament over the next couple of months to refuse to discharge the 1980 budget as a sanction for failing to enforce the embargo.

☐ **Islamabad:** In what could perhaps be regarded as the most serious debacle for the *Afghan mujahideen (holy* warriors), about 1,000 of their supporters, including 200 frontline fighters were reported to have been killed in January, when a joint Afghan-Soviet force using MiGs, surface-to-surface missiles, tanks and artillery attacked the resistance stronghold of Sayyed Khial, north of Kabul (Hasan Akhtar writes).

Apparently it took several *weeks for survivors* to report on the debacle to the resistance leaders in Peshawar. *According* to Afghan guerrilla sources, the survivors were unable to make their report before today because the leaders were preoccupied *with political issues.*

According to the survivors, the joint Afghan-Soviet force surrounded the area with tanks standing at regular intervals along the perimeter to provide covering fire. *While* tanks gathered for the attack, artillery, mortars, MiG aircraft and surface-to-surface missiles pounded the area and the operation lasted 11 days. Villages in the battle area were searched.

Afghan guerrilla commanders said that Afghan government and Soviet troops had massacred about 400 men on the spot, and *twice as many were sent* to the Pule Charkis prison in Kabul. The commanders, however, claimed that the guerrilla's had inflicted casualties on the attacking forces and knocked out scores of tanks and armoured personnel carriers.

☐ Mr Ronald Moyle, Labour MP for Lewisham, on a visit to an Afghan refugee camp in Peshawar, today called for "strengthening and extending" sanctions against the Soviet Union for *its actions* in Afghanistan (AFP reports).

Soviet and Afghan forces have launched an offensive along the main north-south highway linking the Soviet *Union with* Kabul, according to diplomatic and guerrilla sources.

Natal court awaits the man in the floppy hat

From Michael Hornsby
Pietermaritzburg, March 9

The elderly gentleman clad only in baggy trousers and a floppy hat was busy tending his flower bed. He might have been a retired bank manager in an English sub*urban garden*

He was not, however, best pleased to be accosted by the man from *The Times:* "Sorry, old by, nothing to say.

Tomorrow morning Colonel "Mad" Mike Hoare must *set aside* his hoe and pruning shears and appear in a red-brick Victorian courthouse here together with 44 other alleged mercenaries charged with hijacking an Air India Boeing 707 aircraft after a bungled coup attempt in the Seychelles last November.

The trial is being held in the ultra-English provincial capital because Colonel Hoare and his men were arrested in Durban after their retun from the Seychelles and the whole affair has been entrusted to Mr Cecil Rees, the province's Attorney General.

The South African Government caused an international outcry by initially charging *only five of the alleged* mercenaries. The move was defended by Mr Louis Le Grange, the Police Minister, on the ground that "running around in the bush and shooting out a few windows" was *no offence under South* African law. Two months *later,* however, Mr Rees announced that all 45 mercenaries would be charged on four counts of contravening South Africa's 1972 Civil *Aviation Offences Act.*

They could face sentences of up to 90 years in jail.

The affair has been deeply embarrassing for the Government which is widely suspected at best of having *known of the preparations of* the coup attempt but done nothing to stop them, and at worst of having been actively involved because of its dislike of the left-wing Seychelles Government.

The latter suspicion was given some credibility by the disclosure last December that one of the South Africans captured in the Seychelles after the coup attempt was a senior officer in his coun-

Pietermaritzberg is planning to make the most of its moment in the international spotlight. Miss Pamela Reid, the Mayoress, tonight gave a civic reception for the journalists who have descended *on the town,* and hoteliers are hoping the trial will go on for a long time.

Crisis in Central America

Fighting shy: A Salvadorean soldier *peers round a corner during a fierce seven-hour gunfight* with left-wing guerrillas at San Vicente. At least 15 people were said to have been killed.

New poll in Guatemala demanded

Guatamala City, March 9.—With the Government's military candidate *leading the* presidential race, all three opposition candidates today called for demonstrations in the *main* square to *demand* new elections.

As the slow vote count continued, Señor Anzueto Vielnan of the Authentic Nationlist Centre Party, who is running last, asked his supporters to join the other candidates' protest in front *of the national palace.*

Seŏr Mario Sandoval Alarĉon of the extreme right-wing National Liberation Movement and Señor Alejandro Maldonado Aguirre of the moderate conservative Democratic-National Renovator coalition who are running second and third, *claimed* last night that the elections were rigged by the military-dominated Government. they demanded that the vote be nullified and a new election held within 60 days.

Rebels show their strength

San Salvador, March 9. — Military sources said today that at least 32 people died yesterday when left-wing guerrillas stepped up attacks on government troops around the country *in a show* of strength.

There were guerrilla assaults on security forces in three main cities and three military outposts were stormed in Morazan province. *In another* development, the Defence Ministry issued a communiqu denying that government troops had massacred civilians in villages north of here.

Over the weekend peasants in San Benito, 40 miles southeast of the capital,showed rreporters 14 skulls lying in a field and two wells, claiming they were evidence of the deaths of at least 20 unarmed peasants in an Army operation earlier this year.

A spokesman for the Salvadorean Human Rights Commission said the aalleged nassacre was being investigated.The ministry statement said the allegations were black propaganda and claimed that guerrillas frequently dumped the bodiesof their comradesin and around villages to pretend that they were civilians killed by the armed forces.

Church and human rights *grou)s say more than 32,000* people have died in El Salvador's political bloodshed since the American-backed junta took power in October, 1979.

In San Vicente, 35 miles east of the capital, residents and military sources said at least eight soldiers and five civilians were wounded in skirmishing around the city. Other reports said at least 15 people died. San Vicente residents reported that as the day's first shots were being fired guerrillas seized a radio station to urge the city's 20,000 inhabitants to support them.

Residents of Santa Ana, the nation's second-largest city, 31 miles north-west of here, also reported clashes between guerrillas and government troops but they did not know the number of casualties.

Guerrillas were also reported to have overrun three military posts in north-eastern Morazan province, a long-time guerrilla stronghold. There was no immediate confirmation from the military command in San *Salvador.*

The guerrilla radio station said in a midday broadcast *the* series of attacks on government troops around the country was "not something final but a show of *force*", *indicating that the* attacks were not part of an all-out offensive against the junta's forces. — AP.

☐ **Washington:** Mr Caspar Weinberger, the Defence Secretary, has indicated that America may have to undertake big changes in the deployment of force in the Caribbean if there is a communist takeover in El Salvador (Mohsin Ali writes).

Mr Weinberger, answering questions at a National press Club luncheon here yesterday, said it would be extremely damaging to American interests in the Caribbean and to the defence of the United States "if the communists acquired another stronghold" on the mainland.

Smith loses control as chief whip defects

Salisbury, March 9.—The Republican Front (RF) of Mr Ian Smith appears to have lost its control of the white seats in Zimbabwe's Parliament with the defection of another MP.

The party chairman, Mr Geoff Kluckow, said Mr John Landau, the chief whip, resigned yesterday to sit as an independent. Parliament reconvenes in June.

Mr Landau said he intended to work in close liaison with the Government, *but that he would be* "an independent in the true sense of the word". In a telephone interview he said he had found he did not fully agree with RF policies. "I think I have been able to adapt to *change more quickly than* some others."

Eight MPs quit last week to become independents, auging the party had failed to adapt to black rule since independence. The RF, which won all 20 places reserved for whites in the 100-seat House of Assembly in Zimbabewe's independnce election, has seen its representation drop to eight.

In addition to the nine rebels, Mr Wally Stuttaford is detained on suspicion of plotting a coup. A former minister, Mr Denis Walder, also wanted on a similar charge, is abroad and Mr Rowan Cronje, also an ex-minister, has emigrated.

A by-election for Mr Cronje's seat, due next month, will be regarded as a test of voter opinion on the latest revolt.

Mr Robert Mugabe, the Prime Minister, has hinted that more Cabinet posts could become *available* for white MPs if they cut their ties with the RF, which he has accused of being rooted in a past of racial division and white supremacy.

Mr Smith was not available for comment today. Mr Kluckow said he was in South Africa fulfilling an engagement: He gave no details.—Reuter.

☐ The rebellion marks a *crucial point in the history of* the RF which has been the outstanding, sometimes only, voice of the white community since the unilateral declaration of independence in 1965 (Stephen Taylor writes).

The rebels make no overt criticism of Mr Smith - who is a symbol to the black majority of all that is detested about the past - but there are frequent asides that it would be best for "the old boy" *and the party if he* retired to his farm at Selukwe, a desire he has been expressing for years.

Mr Smith is *important* because his community has so far failed to produce an *alternative leader of similar* stature and because he still commands almost universal respect among the whites.

☐ Supporters of Mr Mugabe and of Mr Joshua Nkomo, the Patriotic Front leader, clashed last night in the central town of Que Que where 32 people were attested, the Ziana news agency reported today. (AFP reports).

Bonn gets US pledge on pipeline

From Nicholas Ashford
Washington, March 9

Herr Hans-Dietrich Genscher, the West German Foreign Minister, ended his two-day visit to Washington today confident that the United States would not take any further steps to disrupt the construction of the Siberian gas pipeline to Western Europe. A source close to the German delegation remarked: "The pipeline is no longer an issue. It is all over now".

However, Herr Genscher emphasized during his talks with members of the Reagan Administration that West Germany was still ready to listen to American proposals for providing European countries with energy. But he emphasized that these would not be considered as replacements for Siberian natural gas.

German officials said they expected the mission of Mr James Buckley, the Assistant Secretary of State for Security Affairs, to concentrate on Western credits to the Soviet block when he visits Europe next week.

The Americans have been dismayed by the extremely soft terms of some European loans to communist countries, particularly a recently announced $100m (£54m) loan by France for the construction of the pipeline. The Americans want both the *terms* and the duration of such loans to be tightened up.

Coup plot confidences denied

From Richard Wigg, Madrid, March 9

General Alfonso Armada told the Spanish coup court martial today that if he had intended to overthrow democracy, he would have taken command of an operational unit in Madrid on *February 23 last year.* He was at Army headquarters that night. Where as he put it: "We did not understand anything".

It was his turn to testify at the trial — now in its third week before the Supreme Council of Military Justice in Madrid.

Giving evidence after Lieutenant General Jaime Milans del Bosch, General Armada refused to corroborate any of the claims made yesterday in his defence by the former Valencia captain-general that they had acted jointly to prevent a more violent and radical coup by Army colonels with the backing of King Juan Carlos.

General Milans emphasized that on each of the three occasions when the King had called him during the coup night, the monarch had always said goodbye remarking: "Un abrazo, Jaime". The King never addressed him as if he were the head of a military uprising, he said.

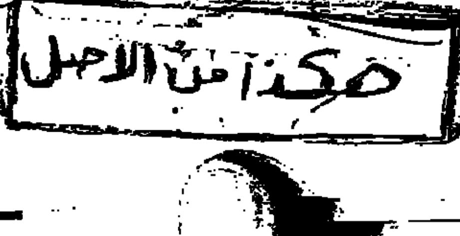
General Milans based his defence on confidences King Juan Carlos and Queen Sophia allegedly made to General Armada at a *ski* resort in the Pyrenees several weeks before the coup.

But General Armada today declared: "I am absolutely sure I gave General Milans no confidences because the King and Queen never made any to me."

Of their meeting in Valencia a month before the coup, which the prosecution alleges marked the beginning of the two generals' plot against democracy, General Armada said categorically *that there* was no mention made of any radical groups in the Army conspiring for a violent overthrow of the constitution.

General Armada later denied any memory of five telephone conversations he allegedly conducted with General Milans two days and one day before the seizure of Parliament.

General Milans, who usually sits immobile throughout *the proceedings,* was seen to laugh as General Milans made the denials. General Milans maintains that General Armada told him in one call that he was unable tc prevent Lt.-Col. Antonic Tejero from preparing to storm Parliament and in another call went on to set the time for the assault. "The operation will be carried out", General Milans assured the court martial that he had been told. The trial continues.



NEWS IN SUMMARY

Brezhnev welcomes Koivisto

Moscow.—President Brezhnev went to Moscow airport yesterday to welcome Mr Mauno Koivisto, the newly-elected Finnish President (Michael Binyon writes). The Soviet leader has never met Mr Koivisto before, and the Kremlin talks are more of a getting-to-know-you nature than to solve any problems between the two countries.

The Soviet Union and Finland enjoy close and cordial relations, and much of the trust built up over the past 25 years by former President Urho Kekkonen was based on his regular personal contacts with the Soviet leaders.

Before Mr Koivisto's election, the Russians expressed indirect preference for other presidential candidates, believing Mr Koivisto to be rather aloof and less amenable than his predecessor. But the Russians quickly *accepted his victory* and are now clearly keen to establish a working personal relationship.

China reassures trade partners

Peking. — Mrs Chen Muhua, China's new foreign trade chief, has assured Peking's trading partners that the recent government reshuffle does not mean a change in trade commitments or policies.

"Agreements already signed between China and the governments of other countries will remain valid and current negotiations will continue," Mrs Chen said.

Mrs Chen, aged 61, heads a newly established Ministry of Foreign Economic Relations and Trade, an umbrella body merging four separate departments.

No Iran retreat Khomeini says

Tehran—Ayatollah Khomeini has greeted fresh peace proposals for ending the 18-month Iran-Iraq war by saying that President Hussein Saddam of Iraq "has asked other states to serve as *intermediaries to save him* but Iran will not retreat an inch."

Peace proposals to the Iranian Supreme Defence Council were criticized by the council's spokesman, *Hojatoleslam Hasheni Rafsanjani,* who said: "The mistake was to ask the aggrieved party (Iran) to make concessions".

Ben Bella plea to Mubarak



The conduct of the Sadat assassination trial in Cairo has been criticized by Mr Ahmad Ben Bella (above) the former Algerian President who is now chairman of the *London-based International* Islamic Commission for Human Rights (Edward Mortimer writes).

In a statement Mr Ben Bella said his commission viewed "with great concern" *the fact that the trial was* held in complete secrecy and that the accused were "denied the opportunity to defend themselves fully and freely in accordance with the rules of the law and dictates of justice." He appealed to President Mubarak of Egypt to revoke the findings of the court and order fresh trials in an open civil court.

Airline to recruit doctors

Tokyo—The Japanese Transport Ministry has advised Japan Air Lines to introduce tighter medical supervision of its crews, *and to provide* more doctors, including psychiatrists.

The measures were part of a series of recommendations to prevent a recurrence of the last month's Tokyo air crash, which killed 24 people and injured the remaining 150 passengers. Ministry officials said the 12 doctors employed by JAL were insufficient to deal with the airline's flight staff of more than 2,000.

Dalai Lama appeal

Delhi. — The Dalai Lama, the exciled *Tibetan spiritual* leader, said in a statement on the eve of the twenty-third *anniversary* of the *Tibetan* uprising against the Chinese that his countrymen should continue their struggle "broad-mindedly, peacefully and patiently".

Refugee exodus

Geneva. — A total of 2,797 refugees arrived by boat in South-East Asian countries from the Indo-Chinese mainland last month, the office of the United Nations High Commissioner for Refugees said in Geneva.

THE BUDGET

How better-off – and pensioners – benefit

PERSONAL TAXATION

Higher earners will benefit substantially

By Lorna Bourke

Once again the Chancellor has produced a Budget for the better off, putting more into the pockets of higher rate taxpayers, and raising the starting point for capital gains and capital transfer tax, while the basic rate taxpayer has merely maintained his position. But pensioners will do well and he has been generous in some of his social benefits.

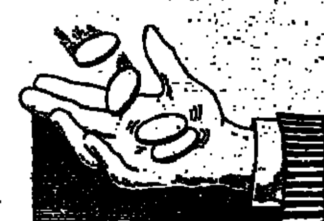
Personal tax allowances and the thresholds for higher rate tax have all been increased by around 14 per cent, two per cent above last year's rate of inflation. But with the increases in National Insurance contributions due to take effect from April, most basic rate taxpayers will have roughly the same take-home pay after the Budget changes as they have today.

A single person earning around the national average wage of £7,500 will see take-home pay, after deductions for tax and National Insurance, go down from £5,082 a year to £5,064, cutting his spendable income from 67.7 per cent of earnings to 67.5 per cent.

Married couples earning twice the average wage, £15,000, will see a rise in their spendable income from £10,371 to £10,391, equivalent to less than 40p a week. But if they have children their position will be improved by the uprating of child benefits; up 60p a week to £5.85 from November of this year.

Higher earners have benefited substantially from the changes in personal taxation. A married man earning £30,000 a year will see a rise in disposable income from £17,606 to £18,099 equivalent to a 1.6 per cent improvement in take-home pay. Before the Budget changes he would have paid tax at the top rate of 60 per cent but will now see his marginal rate of tax reduced to 55 per cent.

Pensioners have seen the biggest improvement in their situation. State retirement pensions have been fully index-linked, taking into account the 2 per cent underestimation of last year.



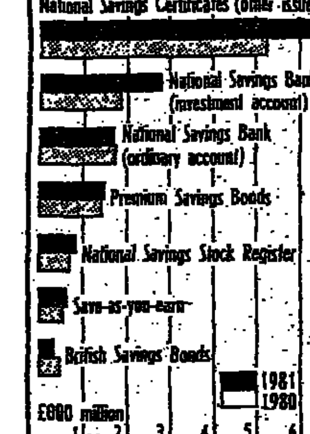
A married couple will see their state pension rise from £47.35 to £52.55 while a single pensioner will recieve an increase of £3.25 a week, up from £29.60 to £32.85 in November.

The tax change will amount to an increase in spendable income of £3 in every £100. A married couple with income of £4,000 a year now has £3,669 left after deductions for tax. After April 5, this will rise to £3,789, an increase of £2.30 a week.

Those with investment income will be pleased to see the starting point raised from its current level of £5,500 to £6,250

Perhaps the one surprise on personal tax was the decision to increase the amounts which can be contributed to a self-employed pension scheme. It has been a complaint that the maximum contribution levels were too low for the self-employed to make adequate provision for retirement.

The big disappointment has undoubtedly been the failure to increase the £25,000 maximum for mortgage interest relief. However, a small concession has been granted to homebuyers with the raising of the starting point for stamp duty from £20,000 to £25,000. Last year an estimated six out of every ten homebuyers paid this tax, and this is likely to come down to three out of every ten.



RETIREMENT

Retirement Annuity Relief, available to the self-employed and those in non-pensionable jobs, is to be increased for some older contributors. Normally relief is limited to 17½ per cent of net earnings; existing rates and the proposed increases are:

Birth	% relief	1982-83
1934 or later	17½	17½
1916-33	17½	20
1914-15	20½	21
1912-13	23½	24
1910-11	26½	26½
1908-09	29½	29½
1907	32½	32½

TAX CHANGES

SINGLE PERSON

Annual income £7,500 all earned

	£ 1981-82	£ 1982-83
Income	7,500	7,500
less: NI contributions	581	656
Tax	1,837	1,780
Disposable income	5,082	5,064
Disposable income as proportion of gross income	67.7%	67.5%
Single person's tax allowance	1,375	1,565

MARRIED COUPLE—NON-WORKING WIFE

Annual income £22,500 all earned

	£ 1981-82	£ 1982-83
Income	22,500	22,500
less: NI contributions	806	1,001
Tax	7,552	7,037
Disposable income	14,142	14,462
Disposable income as proportion of gross income	62.8%	64.2%
Married man's allowance	2,145	2,445

MARRIED COUPLE, BOTH WORKING*

Joint annual income £15,000 all earned—two children

	£ 1981-82	£ 1982-83
Income	15,000	15,000
less: NI contributions	1,162	1,312
Tax	3,467	3,297
Disposable income	10,371	10,391
Disposable income as proportion of gross income	69.1%	69.2%
Married man's allowance plus wife's earned income allowance	3,520	4,010
Child benefit—tax free	257	285

*assuming both pay full rate NI contributions

RETIRED COUPLE

Annual income £4,000

	£ 1981-82	£ 1982-83
Income	4,000	4,000
less: Tax	331	211
Disposable income	3,669	3,789
Disposable income as proportion of gross income	91.7%	94.7%
Married age allowance	2,895	3,295

BUDGET 12 June 1979

- **Income tax:** basic rate cut 3% to 30%; top rate slashed from 83% to 60%; personal allowances raised by twice amount needed to compensate for inflation; tax bands for higher rates widened
- **VAT:** doubled to 15% from standard rate of 8% and luxury rate of 12½%
- **Impact:** £3,600m taken out of economy
- **Reaction:** tax incentives welcomed by managers but big boost to inflation and depressive effect on output.

BUDGET 26 March 1980

- **Income Tax:** 25% lower rate abolished; personal allowances raised in line with inflation, higher rate thresholds by less
- **Excise duties:** raised, putting 10p a gallon on petrol, 2p on a pint of beer, 8p on a bottle of wine, 50p on a bottle of whisky and 5p on 20 cigarettes
- **Impact:** £1,500m taken out of economy
- **Reaction:** tight money and fiscal policies welcomed by City but little relief for industry in recession.

BUDGET 10 March 1981

- **Income tax:** no increase in personal allowances or tax bands to compensate for inflation
- **Excise duties:** raised by twice amount needed to keep pace with inflation, putting 20p a gallon on petrol, 4p a pint on beer, 12p on a bottle of wine, 60p on a bottle of whisky and 14p on 20 cigarettes
- **Impact:** £4,000m taken out of economy
- **Reaction:** few supporters, many critics. Severe contractionary effect dismayed industry in depths of recession, not offset by promised lower interest rates

BUDGET 9 March 1982

- **Income tax:** personal allowances raised by 14%, 2% more than needed to compensate for inflation, and increases in higher rate thresholds and bands
- **Excise duties:** raised in line with inflation overall, putting 9p a gallon on petrol, 2p on a pint of beer, 10p on a bottle of wine, 30p on a bottle of whisky and 5p on 20 cigarettes
- **Impact:** injection of £1,300m into economy
- **Reaction:** not as expansionary as many have urged but much in line with expectations

CAPITAL GAINS TAX

Index linking promises substantial relief

By Oliver Stanley

The Chancellor has come up with a compromise solution to the troublesome problem of capital gains tax on inflationary gains. For past years, he has decided that the solutions of tapering relief and full indexation are not practicable.

For 1982-83, he has chosen the simple solution of increasing the annual exemption to £5,000 for individuals and £2,500 for trustees of settlements. Where total net gains in the year do not exceed these thresholds, there is full exemption.

For 1983-84 on wards, these amounts are to be indexed in the same way as income taw allowances and thresholds. The increase is linked to that in the Retail Price Index for the December preceding the year of assessment over the preceding December.

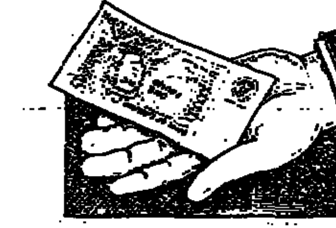
The major reform is that future inflation is to rank for relief. This adjustment will reduce or extinguish the chargeable gain, but will not apply to create an allowable loss.

It will also be linked to the Retail Price Index on a

CAPITAL TRANSFER TAX

The new bands at which capital transfer tax is chargeable are:

Chargeable value of transfer (£000)	Rate (%) on transfers: After death	During donor's lifetime
0-55	Nil	Nil
55-75	30	15
75-100	35	17½
100-130	40	20
130-165	45	22½
165-200	50	25
200-250	55	30
250-650	60	35
650-1250	65	40
1250-2500	70	45
Over 2500	75	50



monthly basis, but only increases after Budget Day will be taken into account. There is a further limitation in that relief will not be given for the first year of ownership, so that gains on assets held for a short term will not qualify for relief.

Examples are needed to make clear this elusive concept. Where land was bought in say July, 1970, and sold in October, 1985, there will be no relief for inflation occurring during the years 1970 to 1982, but relief by reference to the increase in the RPI between March, 1982, and October, 1985.

Both individuals and companies will qualify for this relief, estimated to cost the Exchequer £125m in capital gains tax and £25m in Corporation tax in the first full year to which the new rules apply. But the eventual effect, as more and more years come within the ambit of relief, is likely to be substantial. Just how substantial will inevitably depend on the Government's ability to control inflation. Crocodile tears will be shed at the failure to deal with past years, but realists will welcome this fair ahd balanced attempt at a solution.

BENEFITS

Backbench pressure helps unemployed

By Pat Healey, Social Services Correspondent

The Chancellor of the Exchequer made clear yesterday that the Government has bowed to backbench pressure by agreeing to make good the 2 per cent shortfall in last November's benefit increases for the unemployed as well as for pensioners.

He did not specify it, but the child benefit increase of 60p a week also covers last years shortfall as well as the forecast of inflation up to next November.

Sir Geoffrey also announced that mobility allowance is to be increased by more than inflation would require and exempted from tax from the start of the new financial year. The second measure, which has been widely pressed for, will relieve some low-earning disabled people of all tax liability.

But there were two notable omissions from the Budget statement. There was no mention of any recompense for the 5 per cent cut in inflation-proofing made in 1980 in anticipation of benefits' being brought into tax, although unemployment benefit will become taxable in July.

Nor was there any indication of whether the new supplementary benefit rates, to be introduced this November, will, in fact, be increased by less than other benefits to take account of the new housing benefit scheme.

The Government was caused considerable embarrassment last week when Mr Hugh Rossi, Minister for Social Security, announced in committee in the Commons that housing costs would be removed from the retail price index for the purpose of increasing supplementary benefits.

Details of the social security changes are to be announced today, however, by Mr Norman Fowler, Secretary of State for Social Services. The new rates announced yesterday by the Chancellor are based on a 9 per cent inflation forecast, which is 1 per cent less than anticipated last December, plus the 2 per cent needed to make good the shortfall.

The new national insurance pension will be £32.85 for a single person, an increase of £3.25 a week; and £52.55 for a married couple, an increase of £5.20 a week. Unemployment benefit will rise from £22.50 to £25 a week for a single person and from £36.40 to £40.45 for a married couple.

Child benefit is to go up by 60p to £5.85 for each child, and the extra one-parent family benefit is being raised by 35p to £3.65. The latter is paid on top of ordinary child benefit for the first or only eligible child in most one-parent families.

The prescribed amount for Family Income Supplement for a one-child family is to go up from £74 to £82.50, and the mobility allowance will increase from £16.50 a week to £18.30. That increase, with the exemption from income tax, will be worth more than £5 a week to some working disabled people.

The cost in a full year of all the social security measures announced will be £3,000m. The public expenditure White Paper yesterday made clear that the revised inflation forecast on which the social security increases are based gave the Chancellor more room for manoeuvre despite an increase in the estimated number of wholly unemployed people of 300,000.

The saving from the lower inflation forecast is £220m in a full year, and the cost of extending the recovery of the 2 per cent shortfall to unemployment and other benefits is £160m in a full year.

Of the poverty groups, only those concerned with disability expressed any pleasure at the Budget announcements. Mr George Wilson, director of the Royal Association for Disability and Rehabilitation, said he was delighted that the Chancellor had accepted at last that the mobility allowance should be tax-free and increased in line with motoring costs rather than the cost of living.

The Child Poverty Action Group, however, was disappointed that the Budget had only begun to repay "the debt to families with children". The 60p increase in child benefit was the minimun needed to cover inflation since 1980, but maintaining it at its present inadequate level was not enough. An extra 35p a week was needed to restore the benefit to its value when the Government took office.

The group was nevertheless extremely relieved that the 2 per cent shortfall was to be made good for unemployment and other short-term benefits. But the Chancellor's silence on the 5 per cent cut in lieu of taxation when unemployment benefit was about to be brought into tax amounted to cheating an unemployed couple of nearly £2 a week.

Pensioners groups were not happy either. Mr David Hobman, director of Age Concern, said the Budget was no more than a standstill, with the Government doing the least for pensioners that present legislation would allow.

Mr Hugh Faulkner, director of Help the Aged, said the Budget made clear the Government's disregard for justice and compassion towards pensioners.

Mr Christopher Pond, director of the Low Pay Unit, said the Budget measures were likly to worsen the poverty trap, and the tax concessions for average earners would be wiped out by the increase in National Insurance contributions mext month.

Home buyers pay less

By Lorna Bourke

Homebuyers will benefit significantly from the uprating of the starting point for stamp duty on house purchase. The buyer of a £26,000 house who previously paid £260 in stamp duty will find that his bill has been cut by half to £130. On a £36,000 house, stamp duty has been reduced from £720 to £540, a saving of £180.

The rise in the starting point for stamp duty was widely predicted since the cost to the Exchequer in terms of lost revenue is relatively low — an estimated £70m for the current tax year. But with 5.5 million existing homebuyers and many millions more waiting on the sidelines, reducing stamp duty is an effective vote catcher.

Stamp duty is now payable on the purchase of houses with a sale price of £25,000 or more. Once over the £25,000 threshold, it becomes payable on the whole purchase price — not just on the excess over the £25,000 threshold.

The new rates of stamp duty, effective from April 6, 1982 are as follows: on purchases between £25,001 and £30,000 — 0.5 per cent; £30,001 to £35,000 — 1 per cent; £35,001 to £40,000 — 1.5 per cent and over £40,000 — 2 per cent.

Stamp duty was last adjusted in 1980 when the starting point was raised from £15,000 to £20,000. Before 1980, the previous adjustment was in 1974 when the threshold was fixed at £15,000.

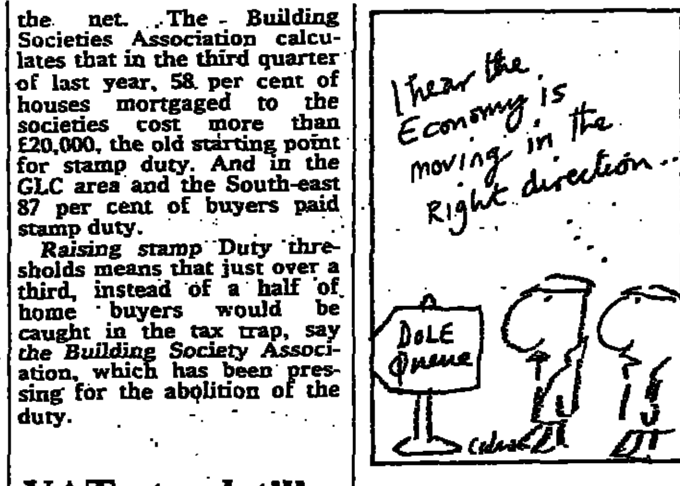
Since then inflation has roared away and a comparable starting threshold for stamp duty ought now to stand at well over £50,000, so in real terms the Chancellor has given nothing away.

Stamp duty was originally a tax on the purchase of luxury homes but as inflation pushed up house prices, more and more homebuyers found themselves caught in the net. The Building Societies Association calculates that in the third quarter of last year, 58 per cent of houses mortgaged to the societies cost more than £20,000, the old starting point for stamp duty. And in the GLC area and the South-east 87 per cent of buyers paid stamp duty.

Raising stamp Duty thresholds means that just over a third, instead of a half of home buyers would be caught in the tax trap, say the Building Society Association, which has been pressing for the abolition of the duty.

VAT standstill condemned

Charities reacted bitterly to the Chancellor's failure to make any significant concessions on value-added tax and described his other proposals on stamp duty and capital transfer tax as likely to have no more than a




marginal effect on their operations.

The strongest condemnation came from the eight-member Reform VAT Group, whose chairman, Mr Tim Yeo, said charities were "absolutely shattered" at the lack of relief. Mr Yeo, director of the Spastic Society, added: "We are utterly astonished that the Chancellor should admit to being swayed by the strong representations of the whisky industry while ignoring the needs of those who have no such strong financial muscle".

Mr Colin Dance, financial secretary of the National Society for the Prevention of Cruelty to Children, which is not a member of the reform group, said previous concessions on capital transfer tax had led to a substantial rise in legacy income but the help announced yesterday was "encouraging but marginal".

'Handshakes' curbed

By Philip Robinson

Golden handshakes above £75,000 will be taxed at the same rate as those receiving them paid on their salary, as a result of changes proposed by the Chancellor.

He wants to tighten the law relating to very large golden handshakes, withdrawing tax relief on a sliding scale. The effect is that the excess of sums over £75,000 will be fully charged to tax.

At present compensation for loss of office and ex-gratia payments are tax free for the first £25,000 with the remainder taxed at half the top rate of tax on earned income.

The Chancellor's proposals could mean that Mr Jack Gill, who was dismissed as managing director of Associated Communications Corporation, could collect less than half of the record £560,000 compensation for loss of office, the payment believed to have prompted the Chancellor's action, if it survives the present court action opposing the payoff.

Go-ahead for Buzby bond

The Government has given the go ahead for British Telecom's much-awaited "Buzby Bond" which will be issued this autumn in units of £100 and is expected to raise £100m of invesment capital.

The Government's conditions for the issue restrict British Telecom tariff increases to 2 per cent below the retail price index and assume that the corporation reduces its unit costs by 5 per cent per year.

Sir George Jefferson, chairman of British Telecom welcomed the issue as an important step allowing the corporation more borrowing flexibility.

Commenting on the tariff increase restraints Sir George added: "Some services are still loss-making and the price of these may have to be increased more than the average. But I am confident that over the years ahead we will be able to reduce the real cost of telecommunications services for the great majority of our customers".

NATIONAL INSURANCE SURCHARGE

Employers' plea for cut is met half-way

By Peter Hill Industrial Editor

A substantial reduction, and ideally the total abolition, of the employers' National Insurance surcharge has been the central feature of the Confederation of British Industry's taxation representations.

The surcharge, introduced five years ago by Mr Denis Healey, Chancellor in the last Labour Government, has acted as a tax on jobs and has further undermined British industry's international competitiveness, according to the employers claim.

In its increasingly tough representations over the past few months, the CBI's call for a reduced surcharge became a main theme in speeches and presentations designed to convince ministers of the need for the organization's demand for a £3,000m reflationary package. It received widespread support from other employers' organizations, with the singular exception of the Institute of Directors.

When it was first introduced the surcharge rate was set at 2 per cent of most of a company's wage and salary bill. Three years ago the rate was lifted to 3.5 per cent. If the tax had remained unchanged employers calculated that it would have yielded about £4,000m in the coming financial year with about one fifth being paid by the Government, as an employer, to itself.

The Chancellor, in cutting the "tax on jobs" by 1 per cent has met the CBI's pleas half way, with the organization calculating that its requested 2 per cent cut would have cost £1,500m in the first year, allowing for delays in implementation, and £1,900m in a full year.

Employers organizations, while welcoming the move, *which will reduce the cost* into a net figure of £640m, served notice last night that they would maintain the pressure to have the tax abolished.

The basic complaint about *the surcharge is that it has* played a significant role in contributing to British industry's high relative unit labour costs and therefore in undermining industry's competitiveness in overseas markets. Apart from that serious rein on industry's ability to compete, companies have argued that the surcharge contributes to inflation and, since it acts as a payroll tax, is contributing to rather than reversing the upward rise in unemployment.

A 2 per cent cut would after two years on the CBI's calculations, yield a £1,000m boost in industry's exports, shave 1 per cent off the retail price index and add £1,000m to corporate profits as well as generate around 200,000 jobs.

Despite the criticisms voiced by the Institute of Directors, Sir Raymond Pennock, CBI president, and Sir Terence Beckett, CBI director general, have argued that a cut in the surcharge would reach the whole business sector, whereas other suggested measures would be likely only to channel relief to some of the firms that need it.

An important factor which the Chancellor has had in his mind in deciding the extent of the cut to promote industrial activity is the worry that lower surcharge payments would be passed on in higher pay settlements. The employers, however, have insisted that, with profitability in real terms last year at its lowest recorded level — and this year unlikely to show any significant improvement — such an inflationary diversion is unlikely to take place as companies continue to battle with compressed margins and investment cutbacks.

The Chancellor's measures to help big industrial users of energy mean that electricity boards in England and Wales will offer their large customers three-year contacts providing for a reduction in electricity charges of up to 16 per cent in return for a commitment to reduce consumption at peak demand periods.

NORTH SEA TAX

Oil taxes restructured but no cuts

By Jonathan Davis, Energy Correspondent

Although he acknowledged that oil company revenues could be hit by falling oil prices this year, the Chancellor has refused to make any changes in the overall level of North Sea taxation, which the industry has consistently said is too high.

As it is, falling prices mean that government revenues over the next three years will be substantially less than was thought last year. In 1983-84 this shortfall will be £1,800m.

However, there will be changes in the structure of the tax. Special Petroleum Duty (SPD), a 20 per cent tax on revenue introduced as a temporary measure last year, will be abolished from the end of 1982, six months later than the original expiry date of June.

In place of SPD, from Jauary, 1983, the rate of Petroleum Revenue Tax (PRT) will be increased from 70 per cent to 75 per cent, and payments will be advanced. From the middle of 1983, payments of PRT will have to be made monthly to smooth the flow of revenue to the Treasury. At the moment payments are made in two *stages, four months* before and two months after the end of each half year.

The overall effect will be to maintain the Government's tax take this year, expected to be about £6,000m.The marginal North Sea tax rate will fall slightly from 90.3 to 89.5 per cent.

While the Chancellor praised the enterprise and skill shown by private sector companies in the development of the North Sea, he dismissed claims that the existing tax burden would limit the pace of future exploration and development.

He gave a stong hint that there would be no further changes in the North Sea tax system, which he said he hoped would be secure and stable.

The latest increase in the rate of PRT, for example, will be the third since then. It has risen from 45 per cent to 60 per cent, to 70 per cent, and now to 75 per cent.

The Treasury has also published new estimates of total North Sea revenues up to 1984-85. They are:1981-82, £6,400m (against a forecast at the last Budget of £5,900m); 1982-83, £6,200m (£6,700m); 1983-84, £6,100m (£7,900m); and 1984-85, £8,000m.

SMALL BUSINESSES

Treasury looks for more business risk-taking

By Drew Johnston

Measures relating to small business were aimed at encouraging enterprise and risk-taking, the Treasury said. The revenue cost is £28m in 1982-83 and £80m in a full year. Investment incentives are included.

New business: The Business *Start-Up Scheme* allows for up to £10,000 to be subscribed by "outsiders" for shares in a new business. That limit is raised to £20,000 for 1982-3 and for 1983-4. Because some investers have not been able to use their *1981 allowance of* £10,000 they will be allowed to add the outstanding amount to the allowance for the next tax year. Restrictions on deductions in capital gains tax sums are also to be removed if shares covered by the scheme are *sold*.

Unquoted companies: The Budget makes proposals to assist small and family companies to attract new equity capital in cases in which an investor might hold back *through* fear of being locked in because there is often no ready market for the shares. In certain cases, where an unquoted company buys back shares and the transaction is for the benefit of the trade, and not a dividend of distrubution of *surplus profits*, provisions are being made to ease the tax charge.

The new relief will apply where a British shareholder sells his shares back to, or has them redeemed by, an unquoted trading company.

Any distrubution included in the purchase of redemption price *is* no longer to be treated as such, that is, it will not be subject to advance corporation tax and Schedule F income tax. It will be treated as a sale by the shareholder, and therefore usually subject to capital gains tax rules. Deals through the Stock Exchange will be given modified tax treatment in some cases where the shares are in quoted or investment company.

Loan guarantee: The loan *guarantee scheme introduced* in the last Budget has been extended because it has been *so successful*. The Chancellor said demand exceeded expectation and the amounts made available for business, already extended from the *original £50m to £100m*, have been raised to £150m.

Corporation tax: The profits limit for the small companies rate of corporation tax of 40 per cent has been increased from £80,000 to £90,000. That is slightly greater than the rate of inflation and shows the Government's determination to help small and medium-size businesses.

The tapering relief terms, which run between the small rate of corporation tax and *the full 52 per cent rate*, have also been improved. Businesses will not pay the full rate until they have profits over £225,000. That is £25,000 more than the previous limit.

Value-added tax: VAT registration limits have been raised to *£17,000* from £15,000. the limit for deregistration has lso been raised, to £16,000. That will give about 65,000 traders the opportunity to deregister, the Chancellor said. It means that they will no longer have to charge VAT on services and goods supplied to them.

The relief from VAT on services supplied before registration, which was granted in last year's Budget *to incorporated bodies*, has *been widened to* apply to all traders.

CORPORATE TAX

Tough stance on avoiding tax

The *Chancellor* is giving his full backing to the tougher stance showed by the Inland Revenue over the past year on tax avoidance schemes. His budget contains several measures to stop international businesses from benefiting at the expense of the British taxpayer.

The international leasing industry has been hit by a reduction in the tax allowances for all assets leased outside Britain but financed *through British banks or financial institutions. The tax* allowances have been reduced from 25 per cent to 10 per cent for leased assets and from 100 per cent to 10 per cent for ships.

That is expected to mean that overseas businesses will switch their new lease financing arrangements from Britain to other countries which offer higher tax allowances. The tax benefits enjoyed by the financial institutions are passed on to the customer as *cheaper lease terms*.

The film industry is to lose the generous capital allowances that have attracted a growing number of groups

Almost three years ago the Inland Revenue allowed 100 per cent first year allowances on investment in films. As with other capital allowances these incentives are available whether or not the film is made in this country

Instead of capital allowances, companies will be allowed to write off costs over the *income-producing life*

ENERGY

Energy debate not yet defused

By Peter Hill, Industrial Editor

Measures to ease the fuel bills of a group of energy intensive industries, which are expected to cost £250m in a full year, are unlikely to remove the issue from the debate that has occupied industry and Government for 18 months.

The disparity between the prices paid by a small but important group of United Kingdom industries for their oil, gas and electricity com*pared with their European* competitors has unified employers and trade unions against the Government's energy pricing policies. Both consider the discrepancies a further drag on international competitiveness.

Over the months the increasingly acrimonious argument led the National Economic Development Council to form an energy task force to establish the extent of the disparity.

The task force submitted two reports last year. The first established beyond question that the energy intensive industries — iron and steel, chemicals, foundries and paper and board — were at a disadvantage. Electricity costs for French steel and chemical companies a year ago, for example, were 20 to *35 per cent lower than in* England and Wales. German prices were up to 25 per cent lower.

Exchange rate movements played a large part in the discrepancy but other factors *cited by the task force* included the relative cost advantage of France's nuclear and hydro-electric generating capacity and West German tariff structures that favour high-load consumers.

The Government attempted in last year's Budget to take some of the heat out of the controversy with a package of measures designed to ease the cost burden, but it fell far short of the industries' pleas.

More than 100 heavy industrial users are expected to benefit. A year ago the electricity supply industry introduced Category C, a new load management which entitled users to additional discounts if they accepted much shorter notice of power supply reductions.

The scheme proved less attractive than expected

CONSTRUCTION AND BUILDING

Housing boost welcome

By Baron Phillips

Construction industry leaders last night welcomed the Chancellor's measures *designed to increase capital* spending on housing and large works programmes.

The total value to the construction industry is £170m aimed at giving an immediate boost to the hous*ing programme, small* factories and the revival of derelict urban land.

Although total public spending on the main projects will increase to about £10,250m, an extra 14 per cent, it is based on the extremely low levels experienced in the present year.

Local Authorities will receive an additional £100m to their capital spending programme to cover the cost of the increased grants the *Chancellor made available*.

Grants for large repairs and for the provision of basic amenities will rise from the present 75 per cent to 90 per cent which will apply on applications received by the end of 1982.

At the same time more cash is to be made available in the form of grants to encourage people to improve insulation of their homes.

Further *stimulation* comes from the abolition of VAT on double glazing, roof insulation and damp coursing.

The Government is specially keen to encourage the main urban renewal programme involving both public and private sector. Up to £70m of the money available *in 1983-4 will be earmarked* for joint development projets between the public and private sector. Also the grandt payable to non-local authority bodies for land reclamation in assisted areas and derelict land clearance areas is being ncreased from 50 per cent to 80 per cent.

Apart from increased housing improvement allowances the country's housebuilders warmly welcomed the raising of the stamp duty threshold by £5,000 to £25,000 which they believe will encourage and stimulate the private sector housing market.

The Chancellor also announced capital allowances of up to 75 per cent in the first year for developers building homes for letting aimed at boosting the low level of construction in that field.

HIGHER RATE TAX THRESHOLDS

Rate of tax	1981-82 taxable income	proposed increase in starting point	1982-83 taxable income
%	£	£	£
40	11,251-13,250	1,550	12,801-15,100
45	13,251-16,750	1,850	15 101-19,100
50	16,751-22,250	2,350	19,101-25,300
55	22,251-27,750	3,050	25,301-31,500
60	over27,750	3,750	over31,500

PERSONAL TAXATION

FAMILIES WITH CHILDREN

Married couple with 2 children — net weekly income

Weekly earnings	Weekly income in 1981/82 post November				Weekly income in 1982/83 up to November 1982					Weekly income in 1982/83 post November 1982		
	Child benefit	Income tax	NIC	Net income	Child benefit	Income tax	NIC	Net income	Change compared to 1981/82 post November, in income after child benefit, tax and NIC	Child benefit	Net income	Change compared to 1981/82 post November, in income after child benefit, tax and NIC
£	£	£	£	£	£	£	£	£	£	£	£	£
50.00	10.50	2.62	3.87	54.01	10.50	0.89	4.37	55.24	1.23	11.70	56.44	2.43
60.00	10.50	5.62	4.65	60.23	10.50	3.89	5.25	61.36	1.13	11.70	62.56	2.33
80.00	10.50	11.62	6.20	72.68	10.50	9.89	7.00	73.61	0.93	11.70	74.81	2.13
100.00	10.50	17.62	7.75	85.13	10.50	15.89	8.75	85.86	0.73	11.70	87.06	1.93
120.00	10.50	23.62	9.30	97.58	10.50	21.89	10.50	98.11	0.53	11.70	99.31	1.73
140.00	10.50	29.62	10.85	110.03	10.50	27.89	12.25	110.36	0.33	11.70	111.56	1.53
150.00	10.50	32.62	11.62	116.26	10.50	30.89	13.12	116.49	0.23	11.70	117.69	1.43
160.00	10.50	35.62	12.40	122.48	10.50	33.89	14.00	122.61	0.13	11.70	123.81	1.33
180.00	10.50	41.62	13.95	134.93	10.50	39.89	15.75	134.86	−0.07	11.70	136.06	1.13
200.00	10.50	47.62	15.50	147.38	10.50	45.89	17.50	147.11	−0.27	11.70	148.31	0.93
220.00	10.50	53.62	15.50	161.38	10.50	51.89	19.25	159.36	−2.02	11.70	160.56	−0.82
240.00	10.50	59.62	15.50	175.38	10.50	57.89	19.25	173.36	−2.02	11.70	174.56	−0.82
300.00	10.50	82.06	15.50	212.94	10.50	76.58	19.25	214.67	1.73	11.70	215.87	2.93

Net income is earnings, less tax and national insurance contributions, plus child benefit. It does not include any means tested benefit. It is assumed that only the husband is earning.

National insurance contributions are at the standard Class 1 rate for employment not contracted out of the state additional (earnings related) pension scheme.

Single parent families have the same net weekly income as married couples on the same weekly earnings except that a single parent family received £3.30 extra benefit per week from November 1981 and will receive £3.65 extra per week from November 1982.

Child Benefit The rate up to November 1982 is £10.50 per week (£5.25 per child) and will then be increased by £1.20 per week (60p per child).

ELDERLY SINGLE AND MARRIED COUPLES

Income all earned — weekly figures

Income	Charge for 1981/82		Proposed charge for 1982/83		Reduction in tax after proposed changes
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	
£P.W.	£P.W.	per cent	£P.W.	per cent	£P.W.
	ELDERLY SINGLE PERSONS				
40.00	1.50	3.7	0.06	0.1	1.44
50.00	4.50	9.0	3.06	6.1	1.44
60.00	7.50	12.5	6.06	10.1	1.44
80.00	13.50	16.9	12.06	15.1	1.44
100.00	19.50	19.5	18.06	18.1	1.44
120.00	26.81	22.3	24.06	20.0	2.75
140.00	34.07	24.3	32.29	23.1	1.78
150.00	37.07	24.7	35.97	24.0	1.10
	ELDERLY MARRIED COUPLES (1)				
60.00	1.30	2.2	0.00	0.0	1.30
80.00	7.30	9.1	4.99	6.2	2.31
100.00	13.30	13.3	10.99	11.0	2.31
120.00	20.61	17.2	16.99	14.2	3.62
140.00	29.62	21.2	25.22	18.0	4.40
150.00	32.62	21.7	30.22	20.1	2.40
160.00	35.62	22.3	33.89	21.2	1.73

For incomes above these levels, the figures are the same as those in Table 4.

(1) Calculations assume that only the husband has earned income.

SINGLE AND MARRIED COUPLES

Income all earned, weekly figures, Income Tax and National Insurance Contributions

Income	Charge for 1981/82			Proposed charge for 1982/83			Change in Income After tax and NIC
	Income tax	NIC	Net Income After Tax and NIC	Income tax	NIC	Net Income After Tax and NIC	
£P.W.	£P.W.	£P.W.	£P.W.	£P.W.	£P.W.	£P.W.	£P.W.
	SINGLE PERSONS						
30.00	1.07	2.32	26.61	0.00	2.62	27.38	0.77
40.00	4.07	3.10	32.83	2.97	3.50	33.53	0.70
50.00	7.07	3.87	39.06	5.97	4.37	39.66	0.60
60.00	10.07	4.65	45.28	8.97	5.25	45.78	0.50
80.00	16.07	6.20	57.73	14.97	7.00	58.03	0.30
100.00	22.07	7.75	70.18	20.97	8.75	70.28	0.10
120.00	28.07	9.30	82.63	26.97	10.50	82.53	−0.10
140.00	34.07	10.85	95.08	32.97	12.25	94.78	−0.30
150.00	37.07	11.62	101.31	35.97	13.12	100.91	−0.40
160.00	40.07	12.40	107.53	38.97	14.00	107.03	−0.50
180.00	46.07	13.95	119.90	44.97	15.75	119.28	−0.70
200.00	52.07	15.50	132.43	50.97	17.50	131.53	−0.90
220.00	58.07	15.50	146.43	56.97	19.25	143.78	−2.65
240.00	64.07	15.50	160.43	62.97	19.25	157.78	−2.65
300.00	88.73	15.50	195.77	83.35	19.25	197.40	1.63
	MARRIED COUPLES (1)						
50.00	2.62	3.87	43.51	0.89	4.37	44.74	1.23
60.00	5.62	4.65	49.73	3.89	5.25	50.86	1.13
80.00	11.62	6.20	62.18	9.89	7.00	63.11	0.93
100.00	17.62	7.75	74.63	15.89	8.75	75.36	0.73
120.00	23.62	9.30	87.08	21.89	10.50	87.61	0.53
140.00	29.62	10.85	99.53	27.89	12.25	99.86	0.33
150.00	32.62	11.62	105.76	30.89	13.12	105.99	0.23
160.00	35.62	12.40	111.98	33.89	14.00	112.11	0.13
180.00	41.62	13.95	124.43	39.89	15.75	124.36	−0.07
200.00	47.62	15.50	136.88	45.89	17.50	136.61	−0.27
220.00	53.62	15.50	150.88	51.89	19.25	148.86	−2.02
240.00	59.62	15.50	164.88	57.89	19.25	162.86	−2.02
300.00	82.06	15.50	202.44	76.58	19.25	204.17	1.73

Employees' National Insurance Contributions are at the Class 1 standard rate for employment not contracted out of the State additional (earnings related) pension scheme.

(1) Calculations assume that only the husband has earned inco[me]

MOTORING

Motorists face £40 jump in costs

By Peter Waymark, Motoring Correspondent

The Budget will increase the cost of running the average family car by about £40 a year, £30 for petrol, assuming an annual milage of 9,000 and consumption of 30 miles a gallon, and £10 on car tax.

The typical price of a gallon of four-star petrol goes up from 151p to 160p and vehicle excise duty from £70 to £80, which is the third rise in successive Budgets.

The Automobile Association described the proposals as "predictable but no less palatable" and the Royal Automobile Club accused the Chancellor of "squeezing every penny from already overtaxed car owners".

The RAC said that as a result of the Budget, the Chancellor would be taking nearly £9,500m a year in tax from road users, or £7,000m more than was being spent on road building. However, with too much petrol chasing too few motorists, it remains to be seen whether the full 9p increase will stick at the pumps.

There have been five price rises since the last Budget but they have been cancelled out by the subsidies given by the oil companies to filling stations in order to maintain dealers' margins.

Since the beginning of November, the average price of petrol has fallen by more than 20p a gallon and at 151p for four-star it is exactly where it was after the Budget a year ago.

The explanation is that while petrol is in plentiful supply, motorists are buying less of it.

Petrol sales fell by 2 per cent last year, the first drop since 1974 and only the second since the war.

The fall in demand is attributed mainly to the economic climate. Motorists are not only using their cars less but switching to smaller and more economical models. The harsh weather around Christmas accelerated the trend.

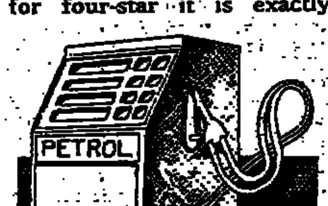
Filling stations have been forced to cut prices to compete for business and oil companies are picking up the bill. The petrol price "war" is estimated to be costing companies £10m a week.

The "true" price of four-star before the Budget was £1.70 a gallon but in some areas motorists have been paying as little as £1.35. The difference is largely made up by oil company subsidies.

The industry argues that prices are unrealistic and must soon rise, irrespective of the Budget. At the same time, sales of petrol in 1982 are expected to show little or no improvement on last year's depressed level.

One factor keeping prices down is the availability of cheap fuel on the Rotterdam spot market. This enables small independent retailers to offer petrol in Britain below the prices charged by the major producers, who are tied to Middle East amd North Sea oil.

Petrol prices vary considerably in different parts of the country and tend to be higher in rural areas, where filling stations are smaller and fewer.



Dismay over huge rise in road tax for lorries

By Edward Townsend Industrial Correspondent

The swingeing increases in heavy lorry excise duties were greeted with dismay by the Road Haulage Association, which claimed that more closures in the recession-hit industry would occur as a result.

From yesterday, the road tax on the country's 80,000 lorries above nine tonnes unladen weight rose by about 25 per cent which, said Sir Geoffrey, would reflect "the actual cost which they impose on the road network".

The duty on light vans above 30cwt unladen weight is to rise by about 12 per cent to bring the rate into line with that charged on cars. However, about 1.5 million vans in this category will enjoy a duty reduction.

The RHA, which has 13,000 members and claims to represent about 80 per cent of the "hire or reward" sector, said that the duty increases and the 7p a gallon rise in the price of derv would together add 2 per cent to hauliers' operating costs.

The increase in derv prices, the association said, was bound to have a detrimental effect on road transport costs and therefore would hinder economic recovery.

Examples of the duty increases are: 16cwt van up from £70 a year to £80; 10 tonne truck up from £1,233 to £1,543; 20 tonne truck with trailer up from £3,198 to £4,027. The duty on a 1.25 tonne van, however, drops by £6 to £90 and for a 1.5 tonne vehicle from £116 to £100.

The haulage industry welcomed, however, the Chancellor's decision to change the basis of heavy vehicle duty calculation from unladen to gross weight.

Licence fees for gaming machines increased

By Our Commercial Editor

The increases in the licence fees for gaming machines could mean a scaling down of pay-outs from the machines, particularly in clubs and pubs. But because of the crucial role the machine's takings play in overall profitability of licensed premises there will be anxieties in the trade at cutting pay-outs too far.

There were pay-out cuts when Value Added Tax was first levied on machine takings in 1975 but the appeal of the machines could easily be affected by big cuts, thus hitting takings. The machines — known in the trade as Amusement With Prizes (AWP) machines — generate profits of £1,000m or more, accounting for much of the price discounts on club beer and usually more than half the profits in the average pub.

Pubs should not reduce pay-outs, the National Union of Licensed Victuallers urged last night, even if that meant raising beer prices in compensation. The NULV is to press the Home Office to raise the maximum payout on pub machines to £10.

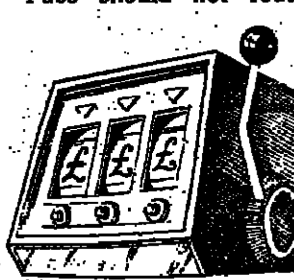
Licence fees for AWP machines vary. In pubs where pay-outs are limited the fees have until now been mostly £60 a year for one machine with a second machine costing £120.

On 5p stake machines the licence fee will be £120 for any machine and on 10p stake machines the fee will be £300. For the jackpot machines used in clubs the fees will be higher, being geared to their higher profitability.

The 5p stake jackpot machine fees rise from £200 to £300 and those taking a 10p stake will go from £400 to £750.

Casinos face a revaluation of the gaming licence duty which is based on the level of their gross winnings. At the moment, the duty starts at 2½ per cent and rises to a maximum of 20 per cent.

From April 1, the first £500,000 will be taxed at 5 per cent, the next £1.75m at 12½ per cent, and the remainder at 25 per cent.



Coal production could be increased by 5%

By Rupert Morris

Coal output could be increased by 5 per cent because of the enlarged scope of the Government's £50m programme for enlarging oil-to-coal boiler conversions, the coal board said yesterday.

The changes in the scheme, announced by the Chancellor, represent a direct response to industry's criticisms of the scheme. They were warmly welcomed, particularly by the coal board.

Grants of up to 25 per cent would be made available not only to manufacturing industry but also service industry such as horticulture, the Chancellor said. The scheme would apply to conversions from gas to coal burning, and the qualifying level for projects would be lowered from £25,000 to £15,000.

Since the scheme was introduced last May, the response has been disappointing, and the Department of Industry confirmed yesterday that only £4.3m of the £50m originally allocated had been promised in grants to 46 companies. A further 30 applications were pending.

The scheme is due to expire on March 31, 1983, and the Chancellor said yesterday he had no plans to increase the £50m originally allocated

EXCISE DUTIES

Duty rise will hit drink and tobacco sales

By Derek Harris, Commercial Editor

The jump in excise duties, hitting both drinkers and smokers, is expected to force down sharply the declining sales of spirits and tobacco. Sales of Scotch whisky are already running about 10 per cent down on the same period last year, with cigarette sales 15 per cent below early 1981 levels.

The Chancellor's 5p impost on a packet of 20 cigarettes brought warnings from tobacco manufacturers that more jobs could be at risk later this year. So far since the last Budget, after a mixture of Treasury and manufacturer increases raised cigarette prices by a third, around 1,800 manufacturing jobs have been lost in the tobacco industry.

But the industry was relieved that the duty increases were not higher, the Tobacco Advisory said last night. Stocks of cigarettes at pre-Budget prices are likely to last for three weeks or more in the shops because, in addition to stocks in the retail pipeline, manufacturers, including Gallaher, have accumulated extra stocks. Prices of Gallaher's Benson and Hedges king size cigarettes and Silk Cut will be held by the company for several weeks.

Carreras Rothmans, Britain's third largest tobacco manufacturer, is introducing packs of 14 cigarettes to keep packs below the £1 price, which is widely regarded as a possible psychological barrier for smokers. Other makers, including the two largest, Imperial Tobacco and Gallaher, are also assessing whether to make similar market moves.

The 5p increase on a pack of 20 cigarettes pushes the price of king size cigarettes up from a typical 98p to £1.03.

Rothmans' 14-packs, already in some shops in the Rothmans, Dunhill and Peter Stuyvesant ranges, have been selling at between 68p and 70p. The excise duty increase is expected to raise the price to at most 74p.

The Rothmans 14-packs have been specially produced, but other manufacturers may decide to pack fewer cigarettes into their present 20-pack with adjustment to labelling. Imperial said that if a decision is taken to gear up production of packs of fewer than 20 one way would be to use vending machine packs which already carry 18 cigarettes or fewer.

Demand for 10-packs, which has already risen by a half, is likely to jump further. But there are fears that demand could outstrip supply. That is because most manufacturers in recent years have reduced the number of production lines for 10-packs.

Several times in the past year manufacturers have had to impose allocation ceilings to ration their supplies.

Gallaher said yesterday that it still had to prove that if king size cigarettes go over £1 that would prove a serious barrier to sales. When cigarettes first passed 50p there was no discernible effect on sales patterns.

Many Scotch distilleries are expected to close down this summer as distilling, already operating at below 50 per cent of capacity, is cut back further. Distilleries in the Highlands and the Islands — often the main employer — could be closed for up to three months starting as early as May.

The Chancellor's 30p on a bottle of Scotch comes on top of manufacturers' increases of 30p a bottle last month. The duty increase is lower than inflation during the past year.

Although Scotch represents three quarters of all spirits sales, there are industry fears that sales of gin, already the worst hit in the spirits sector, could take another tumble. In the quarter immediately after last year's Budget gin sales fell 46 per cent compared with the same period the previous year.

The brewers are taking little comfort from the Chancellor's easing of personal taxation. With the level of wage settlements now so low the squeeze on disposable income is still tight, it is argued.

The Chancellor's 2p increase on a pint of beer comes after a 4p a pint rise put through by the brewers just before the turn of the year.

Increases in fuel costs from the Budget measures would eventually have to pass through to beer prices, the Brewers' Society said.

Beer sales in some regions of Britain worst hit by the recession are still running 10 per cent or more down on a year ago. The overall sales trend is at least 6 per cent down, with the Brewers Society expecting this year to show a beer production decline of up to 3 per cent on top of last year's drop of nearly 5 per cent on the levels of 1980.

An acceleration is now expected in the trend towards closure of older and less economic breweries. This will bring more job losses with an increasing threat to the increasing number of pubs which have barely been in profit for months.

On beer, the Chancellor was under pressure from Brussels to alter the ratio of taxation between beer and light table wine in favour of wine.

The adjustment being looked for, if implemented immediately, could mean either 20p or more off a bottle of wine or 4p on a pint of beer, or a mix of the two.

The Chancellor's increase on a bottle of wine, amounting to 10p, virtually increases wine in line with inflation.

That leaves some adjustment still to come once it is clear what ratio Brussels will call for, although the changes could be spread over a period of time.

Duty increases on other tobacco products apart from cigarettes are: about 3p on a packet of five whiff-size cigars or 10 miniatures; 6p on a 25-gramme pack of pipe tobacco; about 8p on a similar-sized pack of hand-rolling cigarette tobacco.

The anti-smoking lobby was disappointed at the scale of tobacco duty increases. ASH director Mr David Simpson said: "It is a miserable disappointment — very bad news for health."

NOT-SO-GOOD OLD DAYS

Prices of whisky, beer and cigarettes compared to contemporary average weekly earnings (male manual workers)

	1935	1940	1950	1960	1970	1980	1981
Earnings	£2.45	£4.45	£7.30	£14.10	£23.0	£123.0	£142.0 (estimate)
Bottle of whisky	70p	80p	162p	178p	280p	525p	610p
percentage	28.6	18.0	22.2	12.6	12.2	4.3	4.3
Pint of beer	2.5p	4.0p	6.5p	6.0p	10.1p	40.5p	49.0p
percentage	1.0	0.9	0.9	0.4	0.4	0.3	0.3
Packet of 20 cigarettes	5p	7p	18p	20p	31p	74p*	97p*
percentage	2.1	1.6	2.5	1.4	1.3	0.6	0.7

sources: Dept of Employment, Scotch Whisky Assoc, Brewers' Society, Tobacco Advisory Council

*King size filter, previous years plain

Strategy directed to helping industry, jobs and people

Sir Geoffrey Howe, Chancellor of the Exchequer, opened his speech by paying tribute to Lord Butler whose death had been announced earlier in the day. He recalled that it was almost 30 years to the day since Rab had introduced his first Budget and there were now only a handful of present members who were present on that occasion.

It was an historic occasion because itr marked the end of the transition of the economy from war to peace and the beginning of the prosperity which was a feature of the 1950s and 1960s. That had been the first of four Budget speeches and with the exception of Mr Denis Healey, Lord Butler was the longest serving Chancellor since the war.

The tradition has emerged since Rab's time that the Budget speech should be composed in some sense as though it was a detetive story with many lengthy passages of exposition before the denouement. It was supposed to have something to do with waiting for the markets to close.

Having listened to a good many of those annual rituals, since first I entered the House, the thought has occurred to me - as no doubt it has to others - that perhaps an element of tantalising suspense was thought desirable to keep the attention of the MPs to fever pitch.

At any rate, I propose to break with that tradition; and to tell the House, without more ado, that in this Budget I shall be proposing substantial reductions in taxation, while at the same time reducing the Government's borrowing requirement.

This will be a Bbudget for industry - and so a Budget for jobs. But it will be a Budget for people as well. It is a Budget that will strengthen the foundations of economic recovery.

To set my proposals in context, it is necessary to start with a word about the past. Within the memory of every member of this House, almost everyone in this country took it for granted, for example, that our buses, cars, or motor cycles were made in Britain, from British steel. Most of the world's finest ships were still being built in our yards.

It is only 11 years since the Erskine Bridge over the Clyde was completed — to a design which would allow to pass below it a steady line of Cunarders from John Brown's world-beating yards at Clydebank. So until quite recently we took for granted one of the highest living standards in Europe, if not in the world.

But by 1978, all that had changed. We had seen inflation go above 15 per cent and unemployment close to 1.5 million. Less than half the new cars bought in Britain were made here.

Instead of building three out of every 10 merchant ships supplied to the markets of the world, as we did just 25 years ago, we were building only three out of every 100. Our share of world trade had been halved. And living standards in several European countries were at least half as high again as ours.

UK PROBLEMS

Too much pay for ourselves

We had been paying ourselves too much and producing, and selling, too little. During the 1970s money incomes had gone up 20-times as much as real output. That was a sure recipe for inflation, lost markets, and lost jobs.

Through all this, of course, many companies, many individuals, continued to record outstanding successes. But all too often they were swimming against the tide. For our overall economic performance had become one of the weakest and most inflation-prone of all the major industrial countries.

At the last election we made all this very clear. We made it plain too that reversing this decline would require a major effort, that would need to be sustained over the lifetime of more than one Parliament. And so it will be.

But this country's problems are not ours alone. In the summer of 1979, the whole world was hit by the fresh surge of inflation and renewed recession that followed the second huge increase in the price of oil. The average price of a barrel of oil last year was $34. That was 26 times as much as in 1970, when it cost only $1.30.

The oil shock made the task of restoring our economy both more urgent and much more difficult, and it coincided with the surge in pay, and public spending, which the outgoing Government bequeathed to us.

So, in spite of North Sea oil, Britain entered the resession in poor shape, and rather earlier than other major countries.

Britain has, therefore, suffered worse than many. But we have not suffered alone. In the United Stats, in France, and in many smaller economies, unemployment has been rising sharply. In Germany last year, the number rose by over half a million. There are now about 26 million people out of work in the industrial countries.

Even so, most governments have reacted by continuing to give priority to the fight against inflation. And they have been making progress in that fight. But the battle is by no means won. So the outlook for the growth of world trade remains subdued.

It is in the light of this international environment that British policy has to be fashioned. All too often people still talk — and behave — as if British Government decisions alone were all that mattered for the British economy, and as if we could protect or subsidise ourselves against the impact of our competitors or the decisions of other governments.

Yet the House knows how important for the United Kingdom are the policies of the Opec countries in the world's oil markets, of the United States in relation to economic activity, inflation and interest rates throughout the world, and of Japan for the balance of world trade

I shall have something to say later on about the impact of recent changes in the oil market. They are likely to have an encouraging effect on then international outlook for prices and output, and, in the medium term, on the stability of intetrest rates and exchange rates. But at present interest rate volatility is causing understandable concern.

At a time of growing international tension, the United States is shouldering burdens for the defence of freedom for which all of those on this exposed flank of Europe should be grateful. The United States Government is also showing admirable commitment to the maintenance of monetary disciplines.

And for that too, we should be grateful. For American inflation affects us all, because of the importance of the United States and of the dollar in the worlds economy.

We and our other friends have, therefore, a legitimate interest in the success of the United States Administration in reconciling its spending obligations with its own responsible pursuit of monetary discipline. If that success were only partial, there would be a risk of continuing high interest rates, which would be damaging to recovery — in the less developed world as well as in the industrial countries.

As I have told the House on a previous occasion, there is no reason to suppose that we in this country could insulate ourselves from such pressures by the simple step of participation in the European exchange rate mechanism. That has not been the experience of the existing participants.

Nor would concerted intervention in exchange markets be able, for any length of time, to contain the movement of funds that can be generated by the widening of interest rate differentials.

There is, therefore, all the more reason for the closest possible understanding between those responsible for managing the major economies. For, as I have said, their policies can all have a direct, and often speedy, impact upon each others'. We in this country must do our best to exercise our influence on the policies of our allies and associates, both directly and through the European Community, the Commonwealth, OECD and the International Monetary Fund.

And we do. That is why I attach so much importance to the regular meetings of Community finance ministers, and of the World Bank and the fund, and why I look forward to welcoming to London this summer my couterparts from throughout the Commonwealth.

But let no-one pertend that we could expect to exert any influence at all if our own policies failed to command respect abroad.

It is however widely recognised abroad - though not always by some at home - that in the last three years we have made substantial progress in tackling our long-term problems.

Thanks to last year's Budget, public borrowing has gone down as a percentage of gross dometic product, giving us interest rates lower than they would otherwise have been. In the six months following the Budget, our rates were on average four points below American and French levels, and on a par with German rates, in spite of the difference between German and British levels of inflation. And output started rising from the middle of the year.

Inflation has been almost halved since the spring of 1980. It should be in single figures during his year, and lower still in 1983.

Productivity has been rising sharply. In manufacturing industry last year, output per man rose by about 10 per cent.

Lower pay increases, combined last year with fast productivity growth, meant that unit labour costs in manufacturing rose hardly at all. Our performance was comparable with Germany and Japan, and better than all our other major competitors'.

And exports were rising again by the end of 1981. In the last four months, their value and volume was well up on a year earlier. Business surveys, and most economic forecasts, point to a further rise over the next year.

In the economy as a whole, we now expect output to grow by 1½ per cent in 1982 and by rather more in 1983.

This gives the lie to all those who argued, not least at the time of last year's Budget, that our policies were foredoomed. The recovery that we foresaw, and worked for, is now taking place. My aim in this Budget is to nurture and help sustain it.

I shall start by discussing the central issue of unemployment. Helping industry to become more competitive is the best way of creating future employment. But there is a clear case for direct action by Government as well. I shall have a new proposal to bring before the House.

I shall then have something to say about monetary policy, and the level of Government borrowing in the year ahead.

Finally I shall come to the tax and other measures which we intend to take, primarily for the benefit of industry and jobs.

JOBS AND PAY

Reflation not the answer

So I begin with unemployment. To have millions of people at a time without work, many of them for long periods, is a tragic loss to the community. To be unable to find work is an affront to personal self respect. This waste of human resources is today the misfortune of many societies besides our own. It is a cause of deep concern to every member of this House.

It is no service to the unemployed to suggest that there is any swift or simple remedy.

For years, for example, it has been argued — it is still argued today — that we could get unemployment down, if only we were less concerned to fight inflation. The right dose of reflation, more generous public spending, so the argument runs, would soon see unemployment tumbling down.

Would that it were so easy! But successive Governments for 20 years have been tempted to act on that advice. And with what result? All the time the tide of unemployment has been rising insistently from one business cycle to the next.

The truth is that "reflation" does not create jobs that last. In th longer run, it helps to destroy them.

If more public spending was the proper engine for growth and jobs, Britain would now lead the world in both. Yet in fact unemployment today is almost eight times higher than twenty years ago.

The unemployed deserve a more considered response than that: one that is based on analysis of the root causes of the social blight of unemployment.

So I want to remind the House once more of two figures that virtually tell it all. Since 1960 the real purchasing power of the average citizen in Britain has risen by over two-thirds. But the real rate of return on the capital employed in British industry has fallen by five-sixths. In other words, our present living standards have for years been plundered from the store of investment for the future.

Nor have we put to good use the investment that has been made. Too often we have tried to mitigate the inescapable consequences of poor productivity and shrinking international competitiveness, by clinging to manning levels that could not be sustained.

We have only to recall the history of the British Steel Corporation. Had we not, throughout the middle 1970s, put off the painful choices, the corporation and those who work in it would have faced the current slump in world demand for steel in far better shape to weather it.

Far fewer jobs would have been lost. Acquiescence in poor productive performance, and overmanning, may put off the evil day. But it only makes the inevitable adjustment all the harder when it comes, as come it must.

And so today we face the huge task of helping to create the conditions in which the unemployed can obtain work, in jobs that will last. And, as a vital step in this, encouraging wages to be at a level which will enable these, more secure, jobs to be created. My principal Budget measures will help us in the right diection.

Some of the obstacles to fuller employment have been created by successive governments. Actions taken with exactly the opposite intention have often had the effect of keeping people out of jobs, actually adding to unemployment.

This Government has taken action to remove a number of these obstacles. We are seeking, by our employment legislation, to create a more reasonable balance of bargaining power between the partners in industry. But in truth we need much wider change than can be brought about by Government or Parliament alone. We need a clear-sighted change in our national understanding of the problem. And then a much more practical, more flexible approach

The key point is this. Somewhere in the gap between the levels of income which we pay to those out of work and the earnings enjoyed by those who have a job, are rates of pay which those now out of work would be glad to take, if they had the chance. But convention and a narrowness of vision prevent those bargains being struck.

When jobs are in abundance, any employer will make sure that he keeps up with the market, by offering high enough pay to recruit and retain the workers he needs. And trade unions will naturally encourage him.

But when business is tight and jobs are scarce, the same employer owes it to the unemployed, as well as to his own employees, to react to the changed market, to pay at rates which leave room for him to earn enough for further business and further investment — and so for new jobs.

In this situation too, trade unions have — or should have — exactly the same interest. That is the best service that any employer or union leader can offer to the unemployed.

Attitudes are changing in this direction. And so prospects for employment are improving. But it will take time.

That is why we have already committed substantial sums for special employment and training measures to help those hardest hit. Our plans for 1982-83 provide nearly £1,500m for special employment and training measures. By 1984-85, its first full year, we plan to spend over £1,000m a year on the new youth training scheme alone — a major advance for school leavers who cannot find jobs.

A number of these measures — for example, the young workers scheme — are intended to help the labour market work more flexibly, to help make wage levels more responsive to economic reality, and so lead to the creation of lasting jobs.

We should all like to do more, within what the economy can afford, to reduce the continuing personal burdens of unemployment. It is clearly right to do all we can for those obliged to spend a long time without a proper job.

We can all see, in our local communities, tasks of environmental improvement, or of bringing help to those in need, that are crying out to be performed. Lord Scarman rightly drew attention to this in his recent report. He pointed out that there could be great advantage in schemes for socially useful activity, in place of current unemployment and social security arrangements.

Most people believe — certainly this Government does — that it should be possible to take further constructive action along these lines. Let me give the House some indication of what we now have in mind.

The central idea would be to give those who have been on the unemployment register for some time the chance to work for the benefit of their own community, while still getting broadly the equivalent of their benefit entitlement plus an addition for expenses and the like.

They would remain free to take a regular job if it came along. And it would be for them to decide whether or not to participate in such a scheme.

This concept may be unorthodox. Certainly it is no substitute for long-term jobs. But in today's world it makes a lot of practical sense. The Government would like to see it tried, to see it carrried through successfully, on a wide, indeed a nationwide, scale, with people working on non-profit-making projects brought forward by local sponsors of all kind, including voluntary organizations and the churches, and indeed local authorities.

The Secretary of State for Employment (Mr Norman Tebbit) is, therefore, asking the Manpower Services Commission to work up urgently a flexible and voluntary scheme on these lines, so that the Government can take firm decisions in the early summer on a new initiative for the commission to run alongside the present community enterprise programme.



'In framing this year's Budget it has been my purpose to give as much encouragement as I believe we can afford to an economy which is now moving in the right direction. To harken to the voices that urge us only to borrow, borrow, borrow, would be to perform no service to British industry or to the unemployed. On the contrary it would lead only to the dead end of a plummeting exchange rate or a rocketing rate of interest — most probably both.'

We shall look for the commission's advice on what is possible, but, for illustration, net additional expenditure of some £150m a year excluding supervision costs ought to be able to support around 100,000 places.

That would be excellent value for the taxpayers' money — value for the community and constructive opportunity for those who choose to take part. We should indeed be ready to back this kind of development on an even larger scale, if the demand is there.

The Government hope that all those in the community who could play a part in promoting this scheme will give it their early and careful consideration. And I hope that this new initiative will also be welcomed in all parts of the House.

MONETARY POLICY

New target for M3

I propose next to describe to the House how monetary policy will operate in the year ahead. I shall, nevertheless, do so as briefly as I can, to avoid trying the patience of the House with detail. The technically-minded will find ample solace in the lapidary prose of the Red Book.

Ever since the collapse of the Bretton Woods system of fixed exchange rates in 1971, the need to control the money supply has been accepted world-wide. In this country, published targets for monetary growth were initiated by my predecessor in 1976, the year he had to seek help from the IMF.

Then, as now, monetary control was supported by progressively lower public borrowing. I am sure that he was right to be converted to monetary and financial restraint, to persuade individuals and companies alike that inflation would come down.

The medium term financial strategy which the Government launched two years ago is an extension of this approach.

It has helped us to reduce inflation, and will continue to do so. We now have a real prospect of sustainable recovery. It is clearl right to maintain the strategy. Of course, it is right to adjust, in the lilght of experience, the way we pursue it.

But maintain it we must, for it establishes the financial framework within which day to day policy decisions are taken.

In last year's Budget speech, I emphasised that no single measure of money can fully describe monetary conditions — they must be assessed in the light of all the available evidence. And this remains the basis of our policy.

As intended, the overall effect of policy in 1981-82 has been to maintain downward pressure on inflation. Sterling M3 has grown faster than the target set a year ago. This was due partly to the Civil Service strike. It has been affected too by structural changes in the market place — such as the rising market-share of the banks — which could have long-term affects.

The growth of the wider measures of money probably also reflects greater demand for liquid assets as a medium for saving. This too could last for some time. So, though the stock of broad money is higher than originally expected, our judgment is that this is consistant with maintaining the steady pressure needed to achieve a downward trend in inflation.

Certainly, the evidence as a whole does not suggest loose monetary conditions.

As in several other countries, the narrow aggregates have grown more slowly than the wider ones. The effective exchange rates have been high — both in nominal and in real terms. The price of some important assets, for example houses, has been constant or falling.

I have taken account of these factors in setting somewhat higher ranges than were suggested for sterling M3 in last year's Red Book. The target range for 1982-83 will be 8-12 per cent. This adjustment in the monetary target does not imply any relaxation of purpose. On the contrary, it is a recognition of the pace of progress thus far, and, in the light of that, our judgment that the new ranges will be consistent with continued progress against inflation.

The new target represents a realistic restatement of our determination to maintain a responsible monetary policy. It should be consistent with growth of money GDP at 10 per cent a year, with continued progress against inflation, and with a strenghthening recovery of the real economy.

We shall continue to monitor a range of indicators. To make more explicit the way in which we do this, the ranges I have just announced will apply to both the broad measires of money — sterling M3 together with PSL2 — and the narrow measure, M1.

The exchange rate also normally gives useful information on monetary conditions. For while the Government has no target for the exchange rate, its effect on the economy and, therefore, its behaviour, cannot be ignored.

Evidence on all these variables will continue to be taken into account. Policy decisions will be aimed at maintaining a monetary environment conducive to the reduction of inflation.

Targets for the years after 1982-83 will be set nearer the time. Slower monetary growth is central to the medium term financial strategy. The path for further reductions in the rate of money growth from year to year is illustrated in the Budget Red Book. The ranges have been constructed on the assumption that there are no major changes in the exchange rate from year to year.

What I have just described provides the framework for continuing the conquest of inflation. We are winning the battle. We are determined to see it through.

MONETARY CONTROL

New methods a success

I ought also to mention changes which have been made over the past year in the techniques of monetary control. From last August, minimum lending rate ceased to be posted.

The main purpose of this change was to allow market forces a greater influence on the structure of interest rates, and to allow rates to be adjusted more promptly in response to changing economic conditions. These objectives have been met. The new arrangements have coped successfully with some severe swings both in the international markets and in the money markets here at home.

We have also been working to even out the flow of revenue over the year, in order to ease the problems for money market operations and monetary control generally.

Let me give three examples. Over the last nine months, Customs and Excise have taken steps, with the agreement of the companies concerned, to secure a more even monthly flow of VAT into the Exchequer, by adjusting the quarterly dates on which certain traders are required to account for VAT.

Second, we are seeking a smoother payment of the building societies' composite rate tax.

Finally, and most important, the proposals for oil taxation, which I shall describe later, will spread the payment of petroleum revenue tax more evenly over the year.

A central element in the Government's financial policy is that the gap between public sector spending and revenue should be financed in a way that is consistent with our monetary target. We have therefore greatly improved the balance of Government funding.

In 1979-80, when the PSBR was similar to this year's, sales of gilt-edged stock were more than eight times larger than the contribution from National Savings. This year the ratio was down to about 2 to 1. National Savings have exceeded their target, which was raised to £3,500m last autumn.

I congratulate the department on achieving these higher inflows through increased efficiency, while making its contribution to Civil Service staff reductions.

Interest rates have come down since the current national savings certificate was introduced. It will therefore be withdrawn from tomorrow (Wednesday) and replaced as soon as possible by a new savings certificate offering a lower but still competitive rate of return.

New sales of gilts to the public in the past year have not needed to be more than about £7,500m, with less emphasis on conventional long-dated high-coupon stocks. In our fundingp policy we have demonstrated our confidence in our policies for reducing inflation. Last year I announced, as one part of our policy of diversified funding, the introduction of indexed gilt-edged stock. Over the past year, sales of his indexed stock amounted to some £2,500m.

The right to buy this indexed gilt was restricted to pension funds and certain other institutions in respect of their UK pension business.

I have now decided to remove this restriction. The Bank of England is announcing this afternoon a new issue of indexed stock on an unrestricted basis.

The restrictions on the existing indexed gilts already in the market will also be removed today. The House may recall that the original prospectus for these stocks itself provided for the possibility of removing the restrictions. This broadening of the market should increase the usefulness of indexed gilts as a funding instrument.

Our policy of diversified funding will continue next year, with contributions coming from indexed gilts, conventional gilts and National Savings. In the case of National Savings, the target for 1982-83 will be £3,000m, just a little below the figure for last year.

BORROWING

PSBR fixed at £9,500m

As well as setting a proper framework for money supply growth, the MTFS sets out the Government's views on the proper level of public borrowing in the years ahead. This cannot make excessive demands on the funds available without putting upward pressure on interest rates. That is what Governments in other countries have found out, to their cost.

Recent experience throughout the world exposes the myth that big budget deficits are good for growth and employment. On the contrary, a responsible fiscal policy is essential for both.

Last year I budgeted for a PSBR of £10,500m. Since then output has moved as broadly as expected at the time of the last Budget, and the 1981-82 PSBR is still on track for the forecast outcome.

Some argue that our fiscal policy is excessively tight, once account is taken of the affects of the recession. I do not accept this. The acid test for the PSBR is the level of interest rates at which it can be financed.

My Budget decisions last year took account of the recession, and in assessing the impact of fiscal policy on the economy it is actual spending and tax payments that matter — not hypothetical estimates of what they might have been, if the world were somehow different.

But there are some who say that our interest rates are really determined in New York anyway: and hence that the amount that we decide to borrow is neither here nor there. Such reasoning is mistaken, and conclusions drawn from it dangerously wrong.

Of course, it is true that international interests rate movements affect the price that we must pay for money borrowed here. But that in no way diminishes the responsibility upon us to choose policies likely to hold our interest rates in the lower part of the international range.

Let us remember what happened last autumn. We could not resist the pressures of rates rising sharply all around the globe: we would not have been able to do so whatever the level of our own domestic borrowing.

But because of the firm line taken in my last Budget, our own interest rates, even after the increase in the autumn, did not soar to the levels reached in the financial markets of a number of our competitors.

Had I, last March, thrown caution to the winds, our rates of interest would not have come down last spring, and would have had to go up far higher last autumn. Indeed the £10,500m PSBR set for the year now ending, and the determined measures we have taken to achieve it, have again been helping us in recent weeks to bring down the cost of borrowed money.

The tact is that while there are limits to the influence we can have on the world background, we can do something more directly about our own borrowing. The larger the PSBR we start with, the higher the interest rates we shall end up with and the opposite is also true.

In coming to a judgment about what we can responsibly plan to borrow in the next financial year, there is one further international dimension which I cannot ignore: the recent fall in oil prices around the world.

I cannot stress too strongly that a lower level of oil prices, if it is sustained, is basically good news for Britain and the world. It reduces industrial costs. It helps to lower inflationary expectations. It makes room for a faster growth in output, consistent with the proper monetary discipline which is now so widely applied.

And as the balance of earning power between the advanced industrial countries and the oil producers undergoes some correction, the weight of highly mobile financial surpluses, which have been such a destabilising influence on world capital markets in recent years, is likely to be diminished.

For this reason, the prospects, for international inflation, for interest rates, for growth, and for exhange rate stability have all improved in recent weeks.

But, for my Budget judgment, this does to some extent work both ways. My task has in part already been done for me. A drop in oil prices affects our own economy in much the same way as a cut in indirect taxes, or excise duties, or National Insurance surcharge.

Lower oil prices reduce costs and prices all round. They leave people in this country with more money in their pockets to spend on other things. They lower the costs of production and distribution. And in addition — which a cut in our own tax-rates cannot do — a fall in the world oil-price promises to increase activity worldwide, and with it the purchasing power of many of our traditional customers in the non-oil developing countries.

But that is not the whole story. When the price of oil drops our tax take from North Sea production is correspondingly reduced. Other things being equal, this would increase the borrowing requirement, though not by as much, since the beneficial effects of the oil price cut boost our revenues from other forms of activity. The prospect is bound to be uncertain.

But in determining the size of the PSBR for the year that starts in April I can assure the House that I have made allowance for these factors as we know them today.

Obviously, if there was to be a prolonged fall in the oil price, below the level we currently expect, then both the beneficial effect on activity and domestic prices, and the revenue-loss effect on the PSBR, would be increased. It would be wholly irresponsible for me to rule out the possibility of having to take action to correct the fiscal balance, if that were to happen.

The illustrative projections presented with last year's Budget envisaged a PSBR for 1982-83 equivalent to 3¼ per cent of GDP. This would be around £9,000m at current prices.

In the light of the latest assessment of the prospects, I have thought it right to provide for a PSBR of around £9,500m in the coming year, equivalent to 3½ per cent of GDP.

This is about £1,000m below the expected outturn for this year. But it is also about £1,300m above what the PSBR would have been next year on the conventional assumptions — that is to say if the changes to income tax and specific duties which I am proposing today were only to take account of the past year's inflation.

That £1,300m is the PSBR cost of my Budget proposals in 1982-83. Their net cost to the Exchequer in a full year is over £3,000m, compared with this year's tax and duty rates.

The new revenue and borrowing projections published in the Red Book envisage a further decline in the PSBR over the following two years to 2 per cent of GDP, on the assumptions about growth and inflation which are there set out.

So the size of the Government's borrowing in real terms will continue to decline from year to year. This will further ease the pressure it imposes on financial markets. And it will assist progress towards lower interest rates and lower inflation.

So much for borrowing. I now turn to expenditure.

PUBLIC SPENDING

Plans allow new projects

On December 2 I announced the Government's public expenditure plans for 1982-83. Today (Tuesday) we are publishing the annual public expenditure White Paper. This sets out the plans for next year in more detail and also contains our provisional proposals for the two following years.

At the same time, the Supply Estimates for 1982-83 are being presented to the House. The House will note the new and greatly improved presentation in the White Paper. I certainly find it much easier to follow.

In the last two years these documents have been published on Budget Day, so that all the information would be available at the same time. In this way, the Budget debate can cover both sides of the account. The Treasury and Civil Service Committee is, I know, considering the handling of these matters, and I await its recommendations with interest.

I explained to the House in December why we had decided to increase planned expenditure in 1982-83 by some £5,000m compared with the plans set out in last year's White Paper.

The increases included some £1,300m of extra finance for the nationalized industries, £500m more on defence, and another £800m on special employment programmes.

They were partly offset by a general reduction in most cash limited expenditure.

Although most of the measures which I shall announce today involve reductions in taxation, I am also proposing some additions to public expenditure, totalling some £350m in 1982-83. This includes an increase of £150m in the Contingency Reserve to accommodate some of the expenditure measures; this brings the reserve in 1982-83 to £2,400m.

The planning total for 1982-83 given in the White Paper is £115,150m, in cash, compared with £110,200m which is the cash equivalent of last year's projections for 1982-83. But the increases I now propose will be more than offset by other changes in costs, and the total will therefore be £114,900m.

Total public sector capital spending is next year planned to be about the same — £11,500m — as expected this year. The plans allow for new investment by nationalized industries (including that financed from their own resources) of over £7,500m in 1982-83, some 26 per cent higher than the out-turn now expected in 1981-82 and 40 per cent higher than in 1980-81.

Taking account of measures which I shall be announcing a little later, spending on construction is expected to rise by 14 per cent to £10,250m in 1982-83.

In particular, housing investment, and work done on water and sewerage projects, should be higher in real terms next year than this. In all these ways the Government is planning for the continued improvement of public sector services.

For the first time we have published figures for the whole period in cash. Following the Budget changes, the planning totals for later years are £120,000m for 1983-84, £4,000m and £6,000m respectively, which is included in the figures for each of these years, has been set to give realistic totals in a cash planning regime.

The programme figures are provisional and will be reviewed in future surveys. The starting point will be the cash programmes resulting from this afternoon's announcements. The figures will not be automatically increased if inflation turns out to be higher than expected. Any alteration will be a matter of deliberate political decision. That is the essence of cash planning.

I foreshadowed these developments in my Budget speech last year. I am confident that they will help us to keep expenditure under control.

SOCIAL SECURITY

Charities are also helped

By far the largest single element in public spending is social security. In 1982-83 it will account for £32,000m, over a quarter of the total.

About half of this goes to the elderly, who deserve our special consideration. This Government has been determined to preserve the full perchasing power of the social security retirement pension. We shall accordingly raise the pension rates, to cover the expected increases in prices for the 12 months to next November.

When I published the Industry Act forecast last December, I expected that increase to be 10 per cent. That was an appropriately cautious central forecast. But the outlook for inflation has clearly improved since December. My similar forecast now is that prices will go up by only 9 per cent in the same 12 months period.

But I do not propose to raise the pension rates only by 9 per cent. We intend also to compensate pensioners for the fact that last year's increase was based on a forecast of the rise in prices that was 2 per cent below the actual rise.

Retirement pensions will thus go up next November by a total of 11 per cent.

The standard rate will be increased by £3.25, to £32.85 a week, for a single person, and by £5.20, to £52.55, for a married couple.

There is of course no Government commitment to full price protection except for the retirement pension and associated benefits. During the debate on the Government's public expenditure plans, we said that a decision about the 2 per cent shortfall in the value of other benefits would be announced at Budget time.

The main ones are unemployment benefit and supplementary allowance, sickness and injury benefit, and maternity allowance. I have received many representations that the 2 per cent shortfall should be restored on these benefits also. And we have decided that it should be.

This means that the rate of unemployment benefit will rise from £22.50 a week to £25 for a single person, and from £36.40 to £40.45 for a married couple. Details of the other benefits will be announced tomorrow (Wednesday) by the Secretary of State of Social Services (Mr Norman Fowler).

We have also decided on some changes in the rules governing payment of benefits. These are in response to representations we have received, and will be widely welcomed. The Secretary of State will give details in his announcement tomorrow.

There are, however some further changes which I should announce today. First, child benifit, which is an important source of income for many, especially the lower paid with large families. From next November it will go up by 60p a week from £5.25 to £5.85. It will thus have been increased by 23 per cent over two years, and so fully protected against inflation.

The aditional one-parent benefit will be increased by 35p to £3.65. And in the case of the family income supplement, the prescribed amount for a one child family will go up from £74 to £82.50.

I shall have some thing to say a little later about the military allowance.

The full year public expenditure cost of all the changes in the social security which I have mentioned will be some £3.000m. The extra cost in 1982-83 will all be accommadated within the public expenditure totals I have just announced.

I turn now to help for charities.

The Government is deeply conscious of the contribution to our national life that is made by our charitable organizations.

Two years ago, I introduced substantial new tax relief for covenanted donations to charities. I also doubled the exemption from capital transfer tax for charitable bequests or gifts made within one year of death.

We have been urged to relieve charities from VAT on their purchases. The attractions of this are obvious, but it raises substantial difficulties. The more one studies how it might be done — and we have looked into it exhaustively — the more inseperable appear the problems of definition, of administration, and of equity that stand in its way. So, reluctantly, I have had to be satisfied with other ways of helping charities instead.

First, I propose to take the capital transfer tax exemption for qualifying gifts to charities a stage further, by increasing it, for gifts made within a year of death, from £200,000 to £250,000.

Second, I intend to abolish stamp duty completely on transfers of assets to charities.

Third, as the National Council for Voluntary Organizations has suggested, I propose to remove beyond all doubt any liability to development land tax where a charity disposes of property which has been subject to roll over relief.

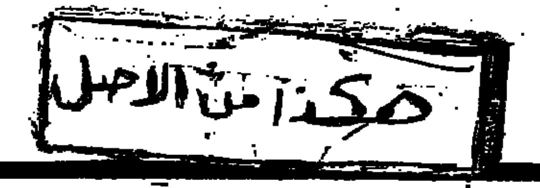
Taken together, those measures constitute significant new assistance to charities and voluntary organisations. They build still further upon the significant benefits which charities have derived from earlier action by this Government. Our record continues to be one in which we can justifiably take pride.

I now come to the particular problem of the disabled which we have always had very much in mind. Last year, the International Year of the Disabled, I introduced a range of value-added tax reliefs for charities concerned with the disabled. I am able to announce three further measures of help.

First, there will be some extension of the existing VAT reliefs for disabled people and the charities serving them.

Second, mobility allowance.

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THE BUDGET/Parliament

Insurance surcharge cut by 1%

Continued from page 8

The rate will be increased — by more than the expected rise in prices — from £16.60 a week to £19.30. This will mean that it has risen by over 80 per cent since the Government took office. This represents a considerable increase in real terms.

In addition, I propose this year to respond to a particularly important request made on behalf of the disabled to successive governments in recent years.

I propose that from April 1 the mobility allowance should be wholly exempt from income tax. This is a major step: it means an increase in net income of up to £5 a week for the working disabled. They deserve every encouragement, and the change will, I know, be widely welcomed.

PUBLIC SECTOR

Telecom to issue bond

Turning to management of the public sector, starting with the Civil Service, the Chancellor said: The provision and organization of welfare benefits in only one of the many tasks of Government.

The whole cost of Government administration does indeed impose a formidable burden upon the taxpayer. Out of total spending of £105,000m in the current year, the Government's running costs amount to over £12,000m. The importance of keeping tight control of these costs is, therefore, manifest.

This is why we set ourselves *the task of reducing the size of* the Civil Service, from 732,000 in 1979 to 630,000 by April, 1984. We are on target. Numbers are down already by 57,000. We now have the smallest Civil Service for 15 years.

Local authority manpower, on the other hand, has come down by only 3 per cent since 1978, less than half as much as in the Civil Service. The importance of further progress needs no underlining. Efficient cost control means getting pay rates right, as well as controlling staff numbers.

Later in the year, the committee of inquiry under Sir John Megaw will be making recommendations about Civil Service pay arrangements for the future. In considering their report we shall aim *to be fair to public* servants, and to the taxpayer.

But the Government is also responsible for the nationalised industries.

In deciding how much public finance to make available to them, the Government must be influenced by their performance in controlling their own costs. Every 1 per cent they save on labour costs is worth another £140m that they could use for investment, or to reduce prices.

Yet even now this lesson has not been fully learnt. Seven out of every ten days lost because of strikes in the *last two years* were within the public sector. The continuing rail dispute, about productivity improvements and up-to-date labour practices that should have been introduced years ago, demonstrates how far there is still to go.

In the absence of increased productivity, willingly accepted, it is not easy to justify increased *investment*.

This is why we intend to widen the exposure of the public sector to the discipline of the market place.

One way of doing this, that has been commended on all *sides of* the House, is by the introduction, under the right conditions, of private capital. Those conditions must ensure fair competition with the private sector for capital. They must also ensure that the consequent higher cost of borrowing is offset by greater efficiency.

The Government has now decided to accept, *in principle*, the proposal for British Telecom to issue a bond to raise market capital in this way. The return to the investor would be based on the profits earned by the Corporation.

British Telecom will be expected, as a condition of access to market finance, to keep tariff increases at least 2 percentage points below the annual movement in the RPI, and to reduce real unit costs, in 1982-83, by a minimum of 5 per cent, with further reductions to be agreed for later years.

We shall have to satisfy ourselves, *in the light of* market conditions nearer the time, that *the bond represents good value to the* Government and British Telecom, as well as to the *investor. Subject to that condition*, the aim will be to go ahead with an initial sale in the *autumn*, of up to £150m. This will be an important experiment in exposing the performance of a nationalised industry to the judgement of the market place.

But above all it remains our purpose, wherever possible, to transfer to the private sector assets which can be better managed there. In the private sector, businesses have to respond to consumer needs. The pressure on enterprises, formerly in the public sector, to do the same at once becomes much greater if they are transferred.

We have made considerable progress. There has been some controversy about the method of selling shares in Amersham *International. But for those* inclined to be wise after the event, it is worth pointing out just how much greater public interest in the sale proved to be than commentators expected when the terms were first announced.

It is, in any case, a cause for satisfaction that the great majority of Amersham employees are now shareholders in the enterprise for which they work. For the great majority of people, this is the right kind of public ownership.

Legislation is on the statute book enabling us to transfer to the private sector the British Transport Docks Board, and British Airways, and to permit the sale of subsidiaries in British Telecom and British Rail. Within the last few weeks we have transferred the National Freight Company to a consortium led by its own management. And British *Aerospace*, and Cable and Wireless, are now firmly established in the private sector.

Our plans assumed that asset sales of this kind would total *about £500m this year. We expect* to achieve that target. The Government looks forward to further disposals in the next two years.

We are seeking powers *to sell* the offshore assets of British Gas and to permit the introduction of private capital into the National Bus Company. The most important transfer will be the sale of 51 per cent of BNOC's oil-producing business, for which a Bill is now before the House.

I now turn to what can be done *in this Budget directly to benefit* business, industry, and hence jobs.

Our prime purpose is to help private commerce and industry to help itself, by cutting its costs. And I have no doubt, from the representations I have received, that the single measure business would most welcome is a reduction in the National Insurance surcharge.

This surcharge was imposed and then increased by the previous Government. Indeed, in their last two and a half years in office, the last Government increased the combined charge on employment, the employers' National Insurance contribution and the National Insurance surcharge, from 8½ per cent to 13½ per cent.

The surcharge is, of course, a tax on employment. It raises production costs. It is not rebatable on exports and it either puts up prices or cuts into profits. But it is an extremely cost-effective tax. It raises large amounts of revenue, at little administrative cost. It is much easier to put on a tax of this kind than to take it off.

This Government has already protected businesses, and so employment, from any increase in employers' National Insurance contribution rates for two consecutive years. Had we not done so, employers would have had to find nearly £1,000m more in the coming year than will actually be the case.

It is now time to offer more positive relief. I accordingly propose to cut the rate of the National Insurance surcharge from 3½ to 2½ per cent. This will help to reduce costs throughout the economy *and will be of value* to all businesses, whatever their tax position.

The cut will operate from August 2 which is the earliest practicable date.

But I am anxious that industry should not suffer from this unavoidable delay. I shall therefore propose an extra ½ per cent reduction between August 1982 and April 1983. The effect of this will be to ensure that business as a whole will enjoy in the last two-thirds of 1982-83 the equivalent of a whole year's reduction of 1 per cent in the surcharge.

This proposal is intended to reduce business costs in the private sector. However, public sector employers also pay the surcharge, and in order to leave them exactly where they would *have been without the change*, appropriate reductions will be made in the relevant cash limits and the votes of central government and the NHS, in the rate support grant to local authorities, and in the external financing limits of the nationalized industries.

The necessary changes will be announced as soon as possible. *This will reduce the cost to a net* figure of £640m in 1982-83.

The aim of the relief I have just announced is to help business costs and employment. If it were to find its way into higher pay, that would totally defeat the object of the exercise, and would obviously have to be taken into account in future.

It is crucial that this should not happen. In proposing this reduction, we are offering business and industry, management and workforce, an exceptional opportunity to improve their own performance and *prospects. I believe that they will* take it.

INDIRECT TAX

Smokes, drink and petrol up

I come now to the indirect taxes. I propose no change in the rate of VAT.

For the excise duties there has grown up in recent years a *sensible presumption* that they should be adjusted on line with the movement in prices from one year to the next. That, after all, is what happens automatically with VAT and the ad valorem duties, and also to the personal tax allowances, unless Parliament decides otherwise. And that is the basis of my approach to excise-duty changes this year.

I start with the duty on tobacco. Last year duty was increased twice — in March as part of the Budget measures and in July to help recoup the loss of revenue from the Derv duty reduction.

I have taken account of that in proposing this year an increase that is the equivalent of 5p including VAT, on the price of a typical packet of 20 cigarettes. *There will be consequential* increases for other tobacco products. These changes will take effect from midnight on Thursday.

Next, alcoholic drinks. I propose to *increase the duties* from midnight tonight by amounts which represent about 2p on the price of a typical pint of beer, 10p on a bottle of table wine, and 13p on a bottle of sherry — all including VAT.

The full increase in the price of a bottle of spirits necessary to take account of inflation would have been over 50p.

However, in the light of the representations about the state of the Scotch whisky industry which I have received from Conservative MPs representing Scottish constituencies and *others*, I have decided that it would be appropriate to limit the increase on spirits to 30p a bottle, again including VAT.

Next, the oil duties. Last year, as the House will recall, I felt it right to go some way to meet the representations made to me by MPs in favour of a lower increase in the case of derv than of petrol, in view of the impact of derv *duty on industrial and distribution* costs. I have decided this year slightly to widen that differential.

There is a strong case for a larger increase in the petrol duty than in the other duties, for our average pump prices are currently among the lowest in the European Community. They have moreover been favourably affected by recent changes in the price of oil. Pump prices have been falling rapidly.

In proposing a rather larger percentage increase in the duty on claret *than on whisky I have* at no stage had in mind adding to the difficulties of the Social Democratic candidate in Hillhead.(Laughter) I fancy he may *have* enough troubles of his own already.

Against this, it has been impressed upon me by a number of Conservative MPs from rural constituencies, in all parts of the kingdom, that pump prices in remote areas are very much higher that those in more heavily populated areas. Yet dependence on cars for transport is greatest in the more scattered communities.

On balance, I think it would be right, at least at this stage, not to impose any real increase in the oil duties. I propose, therefore, to limit the increases in the duties on both petrol and derv to amounts which no more than *compensate for one years'* inflation.

The duty on petrol will accordingly increase by the equivalent, including VAT, of about 9 a gallon of 2p a litre. This will still leave most pump prices lower than they were at the end of last year.

The duty on derv will increase by the equivalent, including VAT, *of about 7p a gallon or 1.5p a* litre. As almost all derv is used in businesses, this smaller increase will help to hold down business costs.

As last year, I propose no change in the rate of duty on heavy fuel oil. I am not able, as some would wish, to cut the duty rate; but leaving it unchanged will help industry as the duty burden continues to fall in real terms.

Last year I undertook to review the rate of duty applied to aviation gasoline, or AVGAS.

I have given very careful consideration to the representations which I have received on behalf of air taxis, flying schools, crop-spraying and other specialist services, and from those concerned with air travel in the Highlands and Islands of Scotland. I cannot accept in full the arguments which have been put to me, but I have decided that it would be right to reduce the AVGAS duty rate to one-half of that on petrol. Including VAT, this amounts to a reduction of about 32p a gallon or 7p a litre.

All these changes take effect for oil delivered from refineries and warehouses from 6 pm tonight (Tuesday).

VEHICLES

Car tax goes up by £10

I also propose to increase most rates of vehicle excise duty. For the motorist the incease will be £10, from £70 to £80. Duty levels on most other groups of vehicles will be increased by about 12 per cent.

I propose to make two important changes in the vehicle excise duty on commercial vehicles. I have decided that it would offer a substantial, and *justifiable*, help to small and medium sized businesses at this time to bring the duties on about half a million light commercial vans more closely into line with those on cars.

On the other hand, it would be appropriate, in the light of the conclusions of the Armitage report, to impose on the heavier lorries—the 80,000 or so of more *than 9 tons unladen weight*—a licence duty which more closely reflects the actual cost which they impose on the road network.

So the duty on this category will be increased by about a quarter. These changes have effect for licences taken out after today.

The changes I propose for *commercial vehicles reflect the* Government's intention to get a fairer balance between the taxation burden on different groups of lorries and their road costs.

I propose to take a further step in this direction by including in the Finance Bill provisions for restructuring the basis of vehicle excise duty on heavy lorries, to a gross weight method of assessment, and for taxing all light commercial vehicles in due course at the same rate as cars.

The House will recall that the framework for this major reform *of the system was set out* in the 1981 Transport Act. It will involve substantial changes in the pattern of commercial vehicle taxation and I think it right that the road transport industry should have time to adjust. I therefore propose that the rates of duty on the new gross-weight basis should take effect from October 1.

And, last of the excise duties, taxes on betting and gaming. Many Conservative MPs pressed last year for substantial increases here; and I made some changes in July. I now propose no further increase in the rates of duty on general betting and bingo, both of which were increased then.

But I *have* decided that pool betting duty, which has been unchanged since 1974, should go up from *40 per cent to 42½ per* cent from April 1. I also propose increases from the same date in the rates of duty on casinos, where I believe the existing rates are too low.

Full details of the new rates, and other changes which I shall be announcing today, will be given in press notices.

The Chief Secretary (Mr Leon Brittan) announced last summer that Customs and Excise would undertake a comprehensive review of gaming machine taxation. A very large number of representations were received during the course of this review, from and on behalf of clubs, public houses, amusement arcades, and others.

In the light of these representations I have decided that it would not be appropriate to *introduce* an ad valorem duty on gaming machines, or to impose an excise duty on amusement machines, such as Space Invaders. I have also decided that duty should no longer be charged on 2p gaming machines which are mostly to be found in the seaside arcades.

However, I have decided that there should be significant *increases from* October 1 in most rates of the existing licence duty on 5p and 10p gaming machines.

The total effect of all these changes in excise duties will be to raise an additional £1,150m in 1982-83 and £1,165m in a full year.

The impact effect on the PRI will be about three-quarters of one per cent. This has been fully taken into account in my forecast of falling inflation in the year ahead.

OIL TAXATION

PRT fixed at 75 per cent

I have spoken of the oil duties: I now turn to the oilfields. The development of the North Sea has been a story of enterprise and success, which is almost entirely due to the skill and enterprise displayed, and risks accepted, by the private sector.

As a nation, we must never forget *the great debt we owe* to those on the oil rigs and elsewhere, who have been responsible *for exploration* and development. It is important for them as well as for the British people that the rewards should be fairly shared.

Last year, in the light of the massive increase in oil prices which had occurred in earlier years, we changed the structure of North Sea tax, to make it more responsive to changes in price. At the same time tax *revenue* from the North Sea was brought forward, with an increase in the total level of taxation.

I also invited the industry to suggest better ways of raising the revenue we needed. I am grateful to them, and others who *have* commented, for their careful and considered response.

As I have mentioned, the current fall in oil prices *reduces* the revenue the Exchequer receives. I recognize that it reduces the revenues of the oil companies as well — but it also reduces the tax they have to pay.

Detailed study has convinced me that, subject to some marginal adjustment, the total tax burden is not such as to discourage exploration or development. Nor is it so high as to deprive the oil industry of a reasonable, and often attractive, yield.

In these circumstances I cannot reduce the overall tax burden to the extent that the industry would have wished. But I do agree with them on the need for some change of structure. I see, in particular, the advantage of profit-related taxes in relation to additional investment in existing fields.

The supplementary petoleum duty will therefore be abolished with effect from the end of this calendar year.

I *propose at the same time that* the rate of petroleum revenue tax should be increased from 70 per cent to 75 per cent; and that arrangements should be introduced for advancing PRT payments. Advance payments of PRT, although computed in the same way as SPD, will not be a separate tax but simply an acceleration of the existing tax.

They will thus differ fundamentally from SPD in being fully set off without limit against ordinary PRT liabilities when these arise. This structural change is one which representatives of the industry have proposed.

As from mid-1983, there will also be a monthly instalment system of payment of PRT in order to secure a smoother *public sector cash flow*.

These changes will not affect the revenue yield of rather more than £6,000m in the coming year. But in 1983-84 there will be a net cost, after allowing for the saving in interest due to the new system of instalment payments, of some £70m.

I have spoken earlier about current uncertainties in relation to oil prices and the *future yield* of tax from the North Sea. But I am aware of the concern felt by the industry about the number of changes in the regime there have been in recent years.

For this reason, my hope is that the new tax structure I have proposed will provide a more secure and stable regime for the future, *permitting development to go ahead uninhibited by major* fiscal uncertainties.

I propose a number of other minor changes, partly in response to the views put forward by the industry. And I propose that regional *development* grants paid in respect of expenditure incurred after Budget day should be taken into account for the purposes of PRT and ring fence corporation tax.

We shall also need to legislate next year to deal with certain special problems affecting PRT expenditure reliefs, pipeline tariffs, and other non-oil *receipts*: these will be the subject of a consultation document which will be issued shortly.

Those fiscal measures, combined with the decisions wh have already announced on the aboli*tin of the state's sole right to buy* gas, and on the creation of the new private sector oil company, will provide a sound basis for another decade of successful enterprise in the North Sea.

I turn now from the energy industry to its industrial customers, to whose problems we have given a great deal of attention in recent years.

ENERGY COSTS

Benefits for large users

Last year, I announced substantial help for industry on energy prices. The NEDC task force, which has made a valuable contribution to a wider underestanding of these matters reported in November that these changes had significantly improved the position of large energy users here, compared with their Continental competitors.

But we are very conscious of the problems which remain at *least for some industries*.

The Government has accordingly discussed with the electricity supply industry their pricing proposals for 1982-83. I am glad to be able to announce that *these will include new* special arrangements to benefit larger users — those heavy industrial users who face the greatest difficulties.

A scheme will be introduced, under which customers can gain significant reductions in their charges lin return for a commitment to accept load reductions. The industry estimate that over one *hundred major companies* should benefit.

This will be in addition to the arrangements for electricity prices which I announced last year and which will continue this year. But both the number of customers able to benefit from the new scheme, and he extent of the benefits on average will be reater.

To pay for these measures, *we* are increasing the external financing limits for the electricity industry (including Scotland) by some £100m in 1982-83. *These costs* are additional to the external finance limits shown in the public expenditure White Paper.

Some large industrial users of gas face similar problems; and here, too, we propose significant relief. For contract customers the price of gas taken after the first 25,000 therms in the contract year will be frozen at the level charged *on April 1 1982*. This freeze wil apply until the end of 1982. The cost of this measure is forecast to be some £60m.

In addition, we have asked the National Coal Board to renew the measures first announced last *year, so as to avoid further* increases in the list prices for foundry coke until the winter. The board's deficit grant and external finance limit will be adjusted accordingly and the cost will be met from the contingency reserve.

Last year I announced the introduction of grants towards the costs of converting from *oil-fired boilers to coal. We have* now decided to extend the scope of these grants to cover conversions of other industrial oil-fired equipment and conversions of gas-fired equipment to coal.

The scheme will also now cover conversions in service industries as well as in manufacturing. At the same time we are reducing the qualifying threshold for the *total project cost from £25,000 to* £15,000. This will help a large number of smaller firms, particularly in the horticultural industry. The cost of these changes will be met from within the £50m already allocated for this scheme.

Taken together with the measures announced in my last Budget, these three measures — special arrangements for large electricity users, the freeze on gas contract renewal prices and on list prices for foundry coke — should reduce the energy costs of British industry, compared with what they otherwise would *have been*, by over £250m over the two years concerned. They represent a *serious and significant* response to the industry's representations on energy prices.

I turn now to the continuing effort to encourage innovation in industry. If we are to win still more worthwhile orders both at home and abroad, British industry must continue to improve its design and production techniques.

There is no more important



Foot's verdict: This is a budget of threads and patches. After a while the only person who willbe enthusiastic about it will be that wandering minstrel, the Chancellor of the Exchequer.

It is a budget which fails to match the reality of our problem and which fails to look at the mass of human misery involved in unemployment figures on this scale.

It is a budget which does not measure in any sense the enormous task which faces the nation.

area to which this applies than micro-electronics and information technology. The Government have aleady given a lead by designating 1982 as Information *Technology Year. We have* already authorized investment of well over £2,000m in the British Telecommunications network in the coming year — more in real terms than at any time since 1974-75.

This investment will bred new *services, new* firms and new jobs. So will the development of alternative and competing services for electronic communication, such as the new Mercury network for business.

Because new technology is important on a wider front, I propose to make a further allocation for this purpose. The Secretary of State for Industry, (Mr Patrick Jenkin) will shortly be announcing a series of new and expanded schemes. These will include additional assistance towards space technology, and production engineering — including the introduction of a special scheme of assistance to small engineering firms.

And the 100 per cent first year *allowances* for leased television sets, which were due to be phased out this June, will be extended for a further year for sets incorporating a teletext facility. This will encourage the wider use of a leasing product of British information technology.

These measures will be worth £130m over three years.

FISCAL JUSTICE

Action against tax avoidance

I have now virtually completed my review of proposals involving *spending, and spending foregone*. I have described my decisions on excise duties, and the major cut in National Insurance surcharge which we propose. In the remainder of my speech I shall be dealing primarily with fiscal issues.

I wish to deal first, and briefly, with the key issue of fiscal justice. All Chancellors of the Exchequer come under pressure every year to remedy hardships and anomalies in the tax system. This year has been no exception; and by the end of this afternoon I *shall* have been able to meet a large number of such points.

But there is another side to this medal. Justice is indivisible. Justice to the taxpayer must be matched by justice to the Exchequer. The revenue must be protected and maintained if the *burden is not to fall more heavily* on the general body of taxpayers.

We must all be glad to see the courts adopting a new approach towards artificial avoidance schemes. As a direct result, we expect to collect a very large sum of tax, possibly as much as £400m, which might otherwise have been avoided.

The proper vigilance of the revenue departments in these matters needs to be matched by the determination of Parliament to legislate where this is needed. Last year I asked Parliament to do so on a number of important matters. This year I propose further action.

We must, however, tread a very careful path between safeguarding the interests of the taxpaying *community on the one hand* and avoiding economic damage of the other.

This need for caution applies, for example, to the proposals affecting the tax liability of companies engaged in international business, on which the Inland Revenue put out consultative papers last year.

Those papers and the draft clauses dealing with these matters have caused considerable anxiety. In the case of company residence the primary objective was simply to replace the present ill-defined rules with ones which were clearer and more certain. This was not an attempt to extend the coverage of the tax. But I accept that some people might be adversely affected. The matter therefore needs to be looked at again.

The problem of tax havens was a different one.

If one has an open world in which there is free movement of capital and of persons — something which in itself is a good thing — this offers increased opportunities for tax avoidance. We must be very careful not to prejudice legitimate business, particularly because of the importance of London as a financial centre.

We need to find the right middle road, and one which is accepted as right. It is to this end we shall be directing our efforts. Clearly this precludes legislation this year on any of these topics.

I now turn to the areas in which I do propose to take action in this Finance Bill.

First, international leasing. At present, assets leased abroad attract capital allowances at what is, in many cases, a favourable rate of 25 per cent per annum. Leasing of this kind has grown sharply.

Moreover, there is evidence of United Kingdom tax incentives being used to subsidize deals between other countries — deals by foreign businesses in foreign-made goods, competing with our own home producers. I therefore propose, for new commitments after today, to reduce from 25 per cent to 10 per cent the rate of *writing down allowance for all* assets leased abroad.

Second, films. Investment in films qualifies for 100 per cent first year allowances.

As with other capital allowance provisions, these investment incentives are available without regard to whether the film is made in this country or overseas. There is evidence that schemes for investment of this kind — primarily in foreign-produced films — are currently being marketed actively in this country. The potential loss to the revenue is very great.

I *propose*, therefore, to withdraw the 100 per cent first year allowance for films and to introduce in its place a provision which will, in broad terms, allow companies to write off expenditure over the income-producing life of the film.

A change of this kind could have serious implications for the British film industry, if introduced immediately, at a time when there are signs that it is just beginning to establish a new and more competitive position. I intend therefore to introduce transitional relief for British-made films — broadly speaking, films registered for the purposes of the Eady levy arrangements — for a 2 year period. I shall be consulting the industry about the form which this assistance might *take*.

Third, shipping. Here again, arrangements are being made to exploit investment incentives for the benefit of foreign businesses.

In this case, a typical arrangement may involve a foreign shipping company chartering a vessel built abroad from a company *specially* set up in the United Kingdom to attract 100 per cent capital allowances.

I propose to reduce the rate of capital allowance in these cases to the 10 per cent rate for international leasing generally. I am concerned to safeguard the position of British companies chartering their vessels abroad in the course of a genuine shipping business, and I shall be discussing with the shipping industry how best to do this...

On each of these three subjects — international leasing, films, shipping — the changes will take effect from today. I shall be bringing forward the necessary detailed legislation at committee *stage*.

Fourth, so-called Section 233 loans. These are contrived arrangements under which interest paid on certain bank loans escapes liability to corporation tax in the hands of the banks. In future these payments will be taxed like other interest payments. The new rules will apply from today. In the case of contracts entered into before today, the new rules will apply to payments due on or after April 1 1983.

Fifth, by taking advantage of double tax relief banks can lend overseas at *abnormally low* interest rates at the expense of the UK taxpayer.

I propose to include in the coming Finance Bill measures to stop this exploitation of our tax system. They will take effect from April 1 1982 but in the case of existing loans will apply only to interest arising from April 1 1983.

While the measures I have announced will help, we shall need to give much fruther thought in the coming year to the problem of how best to ensure a sufficient contribution to tax revenues from the banking sector. The problem is not an easy one, as the benefit of some of the devices I have just described is shared between the banks and their domestic customers.

There is a danger that measures directed to ensuring *that the banks pay a more* equitable amount of tax are all too simply by-passed by the banks shifting the burden on to their customers. For these reasons I have foreborne from taking action earlier, but as Burke said "There is however a limit at which forebearance ceases to be a virtue".

On a different note, a number of building societies have recently issued a new form of negotiable bond. I have no reason to believe that any *improper use* has been made of these new bonds. But as an obvious precaution, I propose to extend to these bonds, from today, the existing provisions dealing with the "manufacture of dividends".

I also propose some tightening up of the law relating to very large golden handshakes. The tax relief will be withdrawn on a sliding scale with the effect that the excess of sums over £75,000 will be fully charged to tax.

We owe it to the ordinary taxpayer to take action in these *fields*. It is on him that the cost would fall if we did not do so.

CONSTRUCTION

Higher grants for repairs

I now revert to my principal theme: help for business and industry, and hence for jobs and people. Last year's Budget contained a number of measures to help the construction industry, *an industry which can make* a particularly significant contribution to the creation of new jobs. It is, accordingly, right to give it further help this year.

As I have already mentioned, our new public spending plans provide work for the construction industry in 1982-83 worth about £10,250m — an increase of 14 per cent.

This year local authorities have greatly underestimated the success of our policy of selling council houses and land. The extra revenue which this is bringing in has not been spent.

For 1982-83, they have been assured that they can spend up to a total of some £3,000m on housing. This will include about £1,000m of funds which they can expect to receive mainly as a result of the *success of the right-to-buy* legislation. This should allow an increase of nearly a third in the scale of their capital spending, compared with what they seem likely to spend in 1981-82.

In addition I now propose a change for 1982-83, designed to help private home-owners whose houses fall well short of today's standards.

The value of grants given for major repairs, and for the provision of basic amenities in the home, under the home improvement grant system, will be increased for a limited period, to a maximum 90 per cent of the eligible cost, instead of the 75 per cent currently available.

This increased rate of grant will apply only to applications *received before the end of 1982*. The purpose is not to add to longer term demands on the industry but to encourage the take-up of immediate spare capacity. We also intend both to enable more people to get grants for home insulation and to increase the value of these grants.

To pay for these changes and to encourage local authorities to make more general improvement grants available, their capital allocations in 1982-83 will be increased by £100m. This will be over and above the expenditure *provided for in the White Paper*.

The Secretary of State for the Environment, Mr Michael Heseltine has already announced measures for 1982-83 to give priority to inner city projects that offer the greatest degree of participation by the private sector.

Building on this, up to £70m of the provision for the *urban programme and for* derelict land reclamation in 1983-84 will be earmarked for projects that encorage participation by the private *sector*.

We have also decided to offer further encouragement to the private sector and nationalised industries to bring derelict land into productive use. We shall increase the grants payable, from 50 per cent of the cost of reclaimation to 80 per cent, in assisted areas and derelict land clearance areas when legislation can be brought forward. The cost will be contained within the existing programme.

In addition, we shall give further encouragement to new private investment in housing for rent.

I now propose to introduce capital allowances, at the rate of 75 per cent for the first year only, for expenditure on the construction of properties wholly for letting as assured tenancies by bodies approved by the Secretary of State. The scheme will run for an experimental period of five years. Allowances may *be claimed for expenditure* incurred as from today.

In my Budget two years ago, I introduced the small industrial workshop scheme, under which industrial buildings allowance can be claimed on the construction of small buildings at the rate of 100 per cent. The scheme has been a resounding success.

More than 5,000 new workshops have already been constructed for letting to small businesses, at an estimated Exchequer cost, spread over several years of £125m to £150m.

The scheme has succeeded in increasing the stock of industrial workshops at or near the upper *size limit*. But there has been relatively little investment at the very small end of the range. I therefore propose to extend the scheme for very small workshops, of not more than 1,250 square feet, for a further two years, until March 1985.

I also propose to bring within the scope of the industrial buildings allowance certain kinds of servicing, repairing and warehousing activities. This too will improve the small workshop scheme.

I also propose to deal with the liability to VAT of certain kinds of building alterations, where there has in the past been serious doubt about what was liable to charge.

A recent *judgment of the* House of Lords would have led, if appllied in its entirety, to VAT being charged at the standard rate on a range of non-structural building alterations which had previously been free of charge. Though clarifying the law, this judgment would have imposed an extra £80m of tax on the industry, which it can ill-afford at present.

So I intend to re-establish the clarity needed, but in a way which will relieve the industry of all but £10m of the extra tax burden.

I shall, in due course, lay before the House an Order, which will *have* the effect of continuing to zero-rate three important kinds of alterations which might otherwise be adversely affected by the House of Lords' judgment. These are the most commonly recognized forms of double glazing, loft and cavity wall insulation and damp-proof coursing. This useful simplification of the law will cost *the revenue about £70m a year*.

The other kinds of non-structural alteration covered by the judgment will become subject to VAT but, pending the completion of discussions with the industry, no steps wil. be taken to apply the tax befor about the beginning of September.

My final proposal in this area concerns stamp duty *on house* purchase. I propose to raise the exemption by £5,000, to £25,000, and the other thresholds also by £5,000, at a total cost of £70m in 1982-83.

This change should be widely welcomed. It will help to improve job mobility and give some encouragement to house construction. But most of all it will *help those who* have been saving to buy their first homes.

By the end of this Parliament, nearly three out of every five families will own their own homes. This will represent a *significant extension* of the property-owning democracy.

SMALL FIRMS

A stimulus to investment

And, taken together, these proposals will mean more work for the construction industry, and more jobs for those who work in it.

Evident in the measures I have *announced* so far is the Government's consistent determination to help create the right conditions for the new investment needed to create new jobs. But this Budget, like its two predecessors, is *designed* also to provide a special tonic for small businesses.

There can be no doubt that higher rates of interest and the consequent reluctance of companies to borrow long-term at high fixed rates have caused a distortion of balance sheets. Too much reliance is now placed on short-term bank finance. As a result there is additional pressure on monetary growth.

A number of sugestions have been made for reducing the burden of interest rates on companies. We are ll indebted to *Mr Michael Grylls (North West* Surrey, C) and others for the way in which they have focused public attention on this probem. In many cases, the selectivity in the remedies proposed would favour lending by the banks, and lending to "tax-exhausted" companies.

We have considered these ideas very carefully. But they raise difficult questions of principle, and we are not persuaded that they offer the best solutions to the problems they are designed to solve. Moreover consultations are still not complete on the *corporation tax Green Paper*, which raises major questions about incentives to investment; and we are still considering how best to ensure a proper contribution to tax revenue by the banking sector.

However, we can all agree that the basic problem of financing profitable expansion and investment demands urgent and continuing attention. A particularly important aspect of this is the provision of equity capital, about which I have some new proposals to make.

The business start-up scheme, *which provides* income tax relief for investments of up to £10,000 in the equity of companies starting new trades, has been widely welcomed. I propose for 1982-83 and 1983-84 to increase *the annual limit from £10,000 to* £20,000.

As less then a full year has elapsed since it became law, some potential investors may have been unable to use up the full *£10,000 limit in 1981-82*. I therefore propose that, in addition, any unused balance of this year's limit should be added to next year's. This means that, in some cases, the effective limit for 1982-83 will be as much as £30,000. These improvements should provide a further stimulus to investment in new enterprises.

Where capital for small businesses generally is concerned, many people have emphasised the importance of the new provisions introduced in the 1981 Companies Act for companies purchasing their own shares.

Clearly it *would be wrong* to change the tax law in such a way that these provisions could be used to pay out what would amount to tax-free dividends. But there is scope for tax changes *which will significantly increase* the attractions of equity capital, both to the investor and to the entrepreneur.

I now propose that certain purchases of their own shares by *unquoted trading companies*, mainly small and family businesses, should not be subject to ACT and income tax. They will be treated instead as sales of shares by the shareholder, and therefore, subject in most cases to capital gains tax only. This measure will be of special benefit to small companies which have a limited market for their shares.

Two years ago, I relaxed the conditions governing profit-sharing schemes and reintroduced legislation enabling employees to take up options to buy shares in their companies without incurring income tax liability.

I did this because I have no doubt that employees who own shares in the company for which they work develop a greater *sense of commitment to the* success of the business. Since I made my first changes two years ago, the increase in he numbers of employee share schemes has been extremely encouraging. In 1979 there were only thirty such schemes. Now there are over 400. This is exactly as we should wish.

Wider share ownership is good for the business, good for the worker and good for Britain. It is important to maintain and extend this progress.

Accordingly, I now propose to increase the value of shares that can be allocated *each year* to any one employee from £1,000 to £1,250.

I also propose to amend the detailed rules to help simplify the administrative problems arising on rights issues.

We should also give some help and incentive to those who acquire share options outside the ambit of approved schemes. I therefore propose to make it

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Fight for further inflation control

The financial framework

The Government's policy is to maintain monetary conditions that will bring about a further reduction in inflation. Over a period of years there has been a reasonably stable relationship between the monetary aggregates and money gdp and prices.

In the short run, however, the relationship between any one measure of money and money incomes may be influenced by a range of factors including the behaviour of the exchange rate, the level and structure of interest rates, changes in savings behaviour and the balance between interest rates and fiscal policy, as well as institutional changes.

Both broad and narrow measures of money convey useful imformation about financial conditions. Different measures of money have tended to grow at comparable rates in the longer term, though there have been sharp differences in the year-to-year growth rates.

In the first part of the period since the mid-1970s narrow measures of money grew more rapidly than wider measures. This pattern has been reversed in the last *three years. Changes in the* pattern of monetary growth have reflected changes in the level and structure of interest rates and the effect of changes in savings behaviour on total financial asset holdings.

The case for looking at a range of measures is especially strong when the financial system is undergoing rapid change. The relationship between the different aggregates has recently been affected by innovations and structural change in financial markets, as well as temporary distortions.

The behaviour of the exchange rate can help in the interpretation of monetary conditions, particularly when the different aggregates are known to be distorted. The exchange rate is a route through which changes in the money supply affect inflation. It can also be an important influence on financial conditions.

External or domestic developments that change the relationship between the *domestic money supply* and the exchange rate may therefore disturb the link between money and prices, at least for a time. Such changes cannot readily be taken into account in setting monetary targets. But they are a reason why the Government considers it appropriate to look at the exchange rate in monitoring domestic monetary conditions and in taking decisions about policy.

Recent financial conditions

The growth in £M3 over the year to February 1982 is now put at 14½ per cent compared with a target of 6-10 per cent and an estimated growth in money gdp of around 10½ per cent in 1981-82.

In the last year all the broad measures of money have continued to grow more strongly, relative to money gdp, than might have been expected, given the high level of interest rates and the past upward trend in velocity. The demand for liquid balances as a medium for saving, rather than spending, seems to have increased significantly in the last three years, implying a shift in velocity.

The growth in the wider *monetary* aggregates has been part of a marked rise in the private sector's total holdings of financial assets relative to income. This may reflect in part the expanding role of the banks as financial intermediaries. It may also be the result of the private sector's attempt to restore the real value of financial assets eroded by past inflation.

Some of the recent growth in £M3 certainly reflects institutional changes. The removal of artificial constraints on money and credit markets is having far-reaching effects on bank behaviour. The most obvious example is in the area of mortgage lending. To the extent that this lending is not additional, but reflects a transfer of business from other financial institutions. It will raise the growth of £M3 relative to other measures of money.

While financial markets are still in the process of adjusting to these structural changes, wider aggregates, which include deposits with other financial institutions as well as banks, may be a valuable guide to the growth of broad money, though these aggregates may also at times be affected by institutional changes.

Despite the relatively rapid growth in broad money, the balance of the evidence suggests that, as intended, financial conditions have beem moderately restrictive during the past year. this is supported by the growth in narrow money and the performance of money gdp. Real interest rates have been high, as in other counties.

Asset prices have been relatively weak. Notwithstanding the previously excessive growth of domestic wages, relative to other countries, the exchange rate has stayed at or above its May 1979 level, and this has ensured that pressure on costs and prices has been maintained.

Revenue

The growth of government revenue in cash terms over the medium term will be strongly affected by the growth of incomes, spending and prices. Figures for North Sea oil tax revenues rest on the assumption that, on average, North Sea oil prices will be broadly maintained for the rest of 1982 at the levels set for March; thereafter oil prices are assumed to rise roughly in line with world inflation.

Conclusion

The projections indicated fall within a very wide range of possible outcomes. If the domestic and world economies develop in a different way the projections of public finances could be substantially affected. The policy response to such changes would depend on their nature. But the intention would be to hold firmly to the central purpose of the strategy by steady, but not excessive, downward pressure in the monetary variables.

The key to sustained recovery lies in moderating the growth of costs and increasing the returns to investment and enterprise. Within the financial framework set out here, this would make room for a faster growth in output, without damaging the outlook for inflation. The longer-term prospects for higher growth and employment would thus *be much improved.*

A more optimistic forecast of the economy is presented in the Financial Statement and Budget Report (the Red Book) accompanying the Budget than the Chancellor gave in his statement last December (Frances Williams writes).

● The growth of national output this year is put at 1½ per cent compared with last year, up from the 1 *per cent predicted in December and more in line* with forecasts by other independent agencies, including the Keynesian National Institute for Economic and Social Research and the London Business School.

By the first half of 1983 the Treasury expects growth of about 2 per cent over the same period a year before.

● Inflation is forecast to fall to 9 per cent by the end of this year and to 7½ per cent by mid-1983, rather than 10 per cent by the end of 1982 as forecast in December.

● The balance of payments on current account is reckoned to have been in surplus by a record £8,000m in 1981, about £2,000m higher than previous estimates, halving to £4,000m this year and £3,000m in the first half of 1983, expressed as an annual rate.

The Chancellor has taken the oportunity to recast his medium-term financial strategy, has been badly dented by huge overshoots in his main target measure of money, sterling M3.

But he has not left himself much room for a giveaway Budget next year. The "implied adjustment" is only £500m in 1983-84 on spending and revenue projections, rising (after the election) to £2,000m.

● Money growth targets have been revised upwards to 8-12 per cent for the 1982-83 financial year, compared with the 5-9 per cent projected in the Budget last year. The targets fall to 7-11 per cent in 1983-84 and 6-10 per cent in 1984-85.

● The target ranges now apply to the narrow measure of money M1 and the wide measure PSL2 (Private Sector Liquidity) as well as to sterling M3.

● No target is set for the exchange rate but its movement will be looked at in assessing monetary conditions.

● Public sector borrowing as a percentage of GDP falls from 4¼ per cent on 1981-82 to 3½ per cent in 1982-83, 2¾ per cent in 1983-84 and 2 per cent in 1984-85, a little more slowly than previously hoped.

SHORT-TERM ECONOMIC PROSPECTS

	Forecasts	Average error from past forecasts†
A. Output and expenditure at constant 1975 prices		
Per cent changes between 1981 and 1982:		
Gross domestic product (at factor cost)	1½	1
Consumers' expenditure	½	1
General Government expenditure on goods and services ...	0	1¼
Other fixed investment	4½	3
Exports of goods and services	3½	2½
Imports of goods and services	9½	2½
Change in stockbuilding (as per cent of level of GDP)	2½	1
B. Balance of Payments on current account		
£ billion:		
1981	8	—
1982	4	2
1983 First half (at an annual rate)	3	3
C. Public Sector Borrowing Requirement		
£ billion; in brackets per cent of GDP at market prices:		
Financial Year 1981–82	10½(4¼)	—
Financial Year 1982–83	9½(3½)	4(1½)
D. Retail Prices Index		
Per cent change:		
Fourth quarter 1981 to fourth quarter 1982	9	2
Second quarter 1982 to second quarter 1983	7½	4

The economic prospects

The economy: Recent developments and prospects to mid-1983

1981 saw substantial progress in the United Kingdom in reducing the growth *of costs and in improving* competitiveness, and the beginnings of a recovery in profitability. Against a background of weak world demand and a level of competitiveness 30-40 per cent less favourable than in 1975, United Kingdom exporters halted, and then reversed, the decline in export volumes that had begun in early 1980. The transition to a much lower rate of increase in costs owed much, above all in manufacturing, to a better productivity performance which, in the short run, has been accompanied by a higher level of unemployment.

The growth rates envisaged for the monetery aggregates, and for pulic sector debt, leave room for further recovery in both output and profitability provided that there is, as forecast, no more than a moderate rise in costs and a fall in the inflation rate.

The world economy

The speed of world recovery over the next year or so will depend in part on the stance of policy in the United States and other countries and on success in reducing the inflation rate further. High real interset rates are *liable to persist* for some time, affecting both the level and composition of output. It seems likely that there will be no more than a modest recovery in 1982, with output in the main industrialized economies rising little more than 1 per cent for the third year in succession. Growth may speed up a little by the end of the year, and into 1983. World trade in manufactures (weighted by United Kingdom trade) is forecast to rise about 4 per cent in 1982, much the same as in 1981, as some recovery in industrialized economies' trade compensates for slower growth in Opec imports.

Over the next year or so, moderation in unit labour costs should continue to exert downward pressure on the rate of inflation; so too should weak commodity prices. Competitive pressures on firms to limit price rises, though not as intense as in late 1980 and early 1981 (when the exchange rate was higher and the level of demand lower), are likely to remain strong. These factors, in addition to specific influences on the RPI from a slower rate of increase in housing costs and the effect of Budget measures, should result in a further substantial fall in the rate of inflation. By the fourth quarter of 1982, the RPI may be 9 per cent higher than a year earlier; and by mid 1983, 7½ per cent.

This fall in the rate of inflation should be compatible, given the trend in costs and the Budget measures, with a further improvement in profit margins. The rate of return on companies' assets (at current replacement cost, and excluding companies engaged in the North Sea) which fell from 5 per cent in 1979 to about 2½ per cent in 1981 should show some recovery in 1982, though it is *unlikely to reach the 1979* level.

Demand and activity

Consumers' real incomes rose strongly up ro 1980, but the fall in the rate of wage increases, the fall in employment and the increase in taxes and in National Insurance contributions led to a fal of perhaps 2 per cent *in* 1981. With the help of large bank borrowing, the impact of these changes was very largely on savings, with consumers' expenditure little changed in either 1980 or 1981.

By contrast, over the same period companies experienced a major fall in their real income; and cut their expenditure by even more, against a difficult financial background of falling profitability and high interest rates . By the second half of 1981, however, companies' real incomes had begun to rise and so too had their *expenditure, mainly* reflecting a much reduced rate of destocking.

A further small fall in the real incomes of consumers is expected in 1982, levelling out in the first half of 1983. Some fall in the saving ratio is again likely mainly in response to the fall in real income, but also because the decline in the inflation rate reduces the amount of saving necessary to maintain intact the real value of assets fixed in money terms. Consumers' expenditure over the forecast *period may well continue at* least at the level reached by the end of 1981. Together with some recovery in private housing, this points to a further decline in the financial surplus of the personal sector.

With positive real interest rates, with the changed tax position on stoc relief and with the move by companies into financial surplus which *occured in 1981 liable to be* only temporary, any build-up of stock levels may not proceed far over the next year.

Total domestic demand, which is estimated to have recovered by 3 per cent between the first and second halves of 1981, should increase further in 1982, perhaps by 3 per cent. The rise in UK output will depend *also on the extent of the rise in import penetration,* and on the performance of UK exports. The forecast is for a moderate rise in total output and in manufacturing output.

For 1982 as a whole, there may be a rise of 1½ per cent in total output with a 3 per cent increase for the manufacturing sector. The rise in total output between the first halves of 1982 and 1983 is forecast at 2 per cent.

Productivity

The rise in productivity during 1981 was substantially more than would have been expected at this stage in the cycle. Outside manufacturing, the same tendencies have been observed, though to a lesser degree. Over the forecast period, further gains in productivity are in prospect.

As the recovery in demand and output gathers momentum, and as profitability recovers, so there are better prospects for employment. Already, many labour market indicators, including average hours worked and unfilled, vacancies, have strenghtened in recent months.

For the purposes of the economic forecast to mid 1983, it is assumed that the average level of the effective exchange rate will not be very different from the levels of the last six months. Together with a slowdown in the growth of earnings, this implies some further reversal in the earlier loss of competitiveness.

Successive business surveys from late 1980 pointed to an improvement in export *performance.* The prospects are for the high level of late 1981 to be more than maintained. Experience of export deliveries in 1981, together *with the improvement in* competitiveness since the early part of the year, suggest that on balance there should be no further adverse effects from cost competitiveness over the next year.

PUBLIC SECTOR BORROWING REQUIREMENT AND MONEY SUPPLY

	1980-81	1981-82	1982-83	1983-84	1984-85
Total general government expenditure	107.9	119½	131½	138	148
Total general government receipts	-94.0	-109	-121½	-130	-143
(of which from North Sea Tax)	-3.9	6½	6	6	8
Implied fiscal adjustment	-	-	-	+½	+2
General Government Borrowing Requirement	13.9	10½	10	8½	7
Public Sector Borrowing Requirement	13.2	10½	9½	8½	6½
PSBR as % of GDP at market prices	5.7	4¼	3½	2¾	2
Target range for monetary growth%	7-11	6-10	8-12	7-11	6-10

CONSTANT PRICE FORECASTS OF EXPENDITURE, IMPORTS AND GROSS DOMESTIC PRODUCT

£ million at 1975 prices, seasonally adjusted

	Consumers' expenditure	General Government expenditure on goods and services: Final consumption	Fixed investment	Total	Other fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	*Less* imports of goods and services	*Less* adjustment to factor cost	*Plus* Statistical Adjustment	Gross domestic product at factor cost	GDP index 1975 =100
1980	71,450	24,350	2,900	27,250	17,850	33,150	−2,150	147,550	34,150	12,450	100	101,050	107·3
1981	71,550	24,550	2,050	26,600	17,200	32,600	−2,100	145,850	33,300	12,300	−1,200	99,050	105·1
1982	72,000	24,600	1,900	26,500	18,000	33,700	300	150,500	36,450	12,700	−900	100,450	106·6
1980 First half ...	35,800	12,100	1,500	13,600	9,050	16,850	−500	74,800	17,800	6,200	300	51,100	108·5
Second half...	35,650	12,250	1,400	13,650	8,800	16,300	−1,650	72,750	16,350	6,250	−200	49,950	106·0
1981 First half ...	35,800	12,200	1,150	13,350	8,450	15,900	−1,850	71,650	15,750	6,100	−450	49,350	104·8
Second half...	35,750	12,350	900	13,250	8,750	16,700	−250	74,200	17,550	6,200	−750	49,700	105·5
1982 First half ...	36,000	12,250	950	13,200	8,900	16,800	100	75,000	18,100	6,350	−550	50,000	106·1
Second half...	36,000	12,350	950	13,300	9,100	16,900	200	75,500	18,350	6,350	−350	50,450	107·1
1983 First half ...	36,150	12,400	950	13,350	9,300	17,300	200	76,300	18,750	6,400	−150	51,000	108·2
Percentage changes													
1980 to 1981 ...	0	½	−31	−2½	−3½	−1½		−1	−2½	−1		−2	
1981 to 1982 ...	½	½	−6½	0	4½	3½		3	9½	3		1½	
Percentage changes First half 1982 to First half 1983 ...	½	1	2	1	5	3		2	3½	½		2	

* GDP figures in the table are based on "compromise" estimates of gross domestic product. Figures in £ million are rounded to £50 million. Percentage changes are calculated from unrounded levels and then rounded to half per cent. The GDP index in the final column is calculated from unrounded numbers.

PARLIAMENT continued

Continued from page 9

easier for them to pay the income tax chargeable on the exercise of such an option, by providing that it should be collected over three years, rather than in a single sum.

In the last two years, we have substantially relaxed the rules for tax relief for interest on money borrowed to invest in small companies. This year I propose to move a stage further. If a shareholder works full-time in the management of a business he will in future be able to qualify for tax relief to invest in that business even though he does not have more than 5 per cent of the shares.

Now, loan finance. In my last Budget I announced the establishment of a pilot Loan Guarantee Scheme. The scheme started in June 1981. Since then the demand for loans has far exceeded expectations.

Last October, in response to that demand, we increased the allocation for the first year from £50m to £100m; but with 2,700 loans worth almost £100m already approved after only nine months, some further increase is desirable.

Accordingly, I propose to increase the amount which the participating institutions may lend to £150m for the first year. In addition a further £150m will be available for loans under the scheme during its second year, to June 1983.

I also propose that the limits for the "small companies" rate of corporation tax should go up again from £80,000 to £90,000, and from £200,000 to £225,000. This will mean that this Government has increased the lower limit by 80 per cent and the upper limit by more than 150 per cent.

As a further help for new businesses, the period for income and corporation tax relief for pre-trading expenditure will be extended from one to three years.

Many MPs, I know, have been impressed by the value of the work done by local enterprise agencies. These agencies depend in the main on businesses already established in the local community. They clearly play a valuable part in helping small local firms to start and to prosper.

I therefore propose to allow businesses to deduct for tax purposes the contributions they make to certain enterprise agencies, which concentrate on helping small firms.

I hope this measure will encourage more widespread support for such agencies. The relief will be available from March 31 and will run for 10 years.

On VAT, I have two principal changes to propose. The registration threshold will be increased from £15,000 to £17,000. And I propose to introduce VAT relief for services supplied before registration. This measure, and the extension of relief for pre-trading expenditure, will reduce the costs of starting a new business.

The total revenue cost of these measures to help small firms is about £80m in a full year.

I also want to make it easier *for those who have recently left* school or college to start a business. Hitherto they have not been able to qualify for the so-called 714 certificates under the construction industry tax deduction scheme. The present system, designed to prevent tax evasion, may actually keep young people out of work as sub-contractors in the industry.

The certificates are widely used in the industry but the existing rules require an individual to show that he already has *three* years good *record* as a taxpayer before he can secure a certificate. By definition, someone who has just left school or college cannot qualify under this three-year rule.

I now propose to change it, so as to enable school and college leavers to obtain special certificates. I also propose a guarantee scheme which may help others to obtain these special certificates.

Finally, the self-employed. A decade of inflation has eaten into the value of money which they had put aside to provide for their retirement.

I, therefore, propose to increase the limits on retirement annuity relief for contributors who are now in their 50s and 60s: to 20 per cent for those born between 1916 and 1933; to 21 per cent for those born in 1914 or 1915; and to 24 per cent for those born in 1912 or 1913.

I also propose to alter the present restrictions on the relief to allow more self-employed people to benefit from these higher levels. These changes will cost £12m in 1982-83 and £25m in a full year. They will provide a siginificant improvement in the position of the older contributor whose lifetime savings have suffered particularly from high rates of inflation in the 1970s.

The self-employed play a key role in the economy. Their contribution to its vitality, its adaptability, is apparent to all. Along with small businessmen, they fully merit this extra encouragement.

CAPITAL TAXES

CTT threshold up to £55,000

I turn now to a part of our tax system which is impeding the efficient working of capital markets and doing injustice to individuals and businesses alike: the capital taxes.

There is room for wide differences of view about the principle of taxing capital. But there is no case whatever for maintaining a system of capital *taxes which, by holding back* business success and penalizing personal endeavour, does serious economic and social damage.

In each of the last two Budgets, we have taken significant steps to reduce such damage. I propose carrying this process a stage further today.

The threshold for capital transfer tax will now be increased to £55,000. The rate bands which apply above the thresholds have remained virtually unaltered since the tax was *introduced in 1975. It is time they* were extended.

Under the new scale, details of which will appear in the FSBR, the top rate of tax will be reached at £2.5m. In real terms, this is still not as high as the figure set by my predecessor, when he introduced the tax, in 1975. The lifetime scale will be improved to a similar extent. The cost this year will be £35m: and in a full year £85m.

I also propose that the indexation principles, already applied to income tax allowances, should in future apply as well to the CTT threshold and bands.

I should add that it is my intention that the Finance Bill should deal with the new regime for settled property. Draft clauses were published in December. The comments we have received will help us to clarify and improve the provisions. They have more than justified this exercise in open Government. I am grateful to all those who have contributed.

There will also be a number of technical provisions related to the heritage. I have decided, in the light particularly of the reductions in the lifetime rates of charge I made last year, not to alter the rate at which the periodic charge is payable.

I also propose that foreign currency accounts belonging to individuals who have no connexion with the United Kingdom should not be caught by the CTT. It is important for London's position as the world's leading financial centre that this matter should be cleared up.

I now come to the incidence of capital gains tax on inflationary gains. This is a matter which has rightly given rise to a great deal of discontent. No one has yet succeeded in finding a solution to this problem.

Innumerable proposals for full indexation, for tapering and other ingenious devices have been put forward. None, unfortunately, overcame all the practical difficulties. I cannot, however, allow this injustice to continue, It is intolerable for people to be permanently condemned to pay tax on gains that are apparent but not real — that *exist only on paper.*

I propose, therefore, that, as from this April, gains, including those of companies, will, in principle, be calculated after taking account of inflation which occurs after that date. No relief will, however, be given in respect of the first year of ownership.

The problem we seek to solve is one which relates essentially to assets held for a period of years, and it would not be appropriate to extend relief to assets bought and sold within a comparatively *short period of time.*

Because we have not found it possible to extend the new scheme to cover past gains, I propose also that the exempt slice should be increased to £5,000. That is the best solution to the problem of the and will simplify administration both for the taxpayer and the Revenue. For the future, I intend that this threshold too should be statutorily indexed.

There will be no revenue cost in the coming year. In 1983-84 the cost of these two measures will be £55m.

But this ought not to be looked at as a measure of the cost to the Exchequer. It is rather a measure of the tax which ought never to have been levied in the first place. This change is no more than simple justice, which should be welcomed on all sides of the House.

The benefit of these measures will be of substantial help to business as well as the individual. They will significantly increase the attraction of equities to United Kingdom taxpayers. One result should be that companies can raise more equity at lower cost than would previously have been possible. An increase in the scale of equity issues by companies will help to reduce their dependence on bank borrowing.

I also propose a number of other specific changes: in future, rollover relief will be available on compulsory purchase: and, completing our policy of avoiding a double charge to CGT and CTT on the one event, rollover relief will also be available on assets coming out of trust. These *proposals* involve no cost this coming year and a cost of £11m in 1983-84.

I believe that these changes, taken together, will be widely welcomed as a further major reform of the capital taxes.

INCOME TAX

Allowances to be raised

But for the vast majority of *individuals what really matters is* income tax. And income tax is far and away the biggest source of Government *revenue.* This year about 26 million income taxpayers will contribute, in round figures, about £30,000m to the Exchequer.

Quite rightly, people look for some reduction in their own tax burden. As I have explained at the outset, and demonstrated by my own proposals, the paramount aim of this Budget is to help industry. to encourage business, to create jobs. But I want also to assist people directly, The one helps the other.

People need industry: but industry also needs people — as workers, as customers, as investors. We remain firmly committed as ever, over the years, to reduce the burden of direct taxation. It is essential to do so: to improve incentives: to remove disincentives: to reduce the poverty trap.

There are always, of course, competing arguments as to whether one should reduce the rates of income tax or raise the thresholds at which people pay tax. Any Chancellor would like to be able to do both. But this year, given my principal aim, I have had to make a choice.

We have already reduced the basic rate of tax from 33 per cent to 30 per cent, and reduced the higher rates of tax as well. I propose, therefore, to concentrate the relief that is available this year on raising the tax thresholds.

The single personal allowance will accordingly be increased by £190 to £1,565 and the married allowance by £300 to £2,445.

The additional allowance for single parents will, as a consequence, rise by £110 to £880. So too will the widow's bereavement allowance. And there will be corresponding increases in the age allowances, the higher rate threshold and bands, and the threshold for the investment income surcharge. Effect will be given to changes under PAYE as from the first pay day after April 26.

These increases are up to two percentage points more than the 12 per cent required to take account of inflation in 1981. They are worth £1,800m this year and almost £2,500m in a full year.

As a result some 1,200,000 people who would have paid tax next year will not now have to do so. This news will be very welcome both to the House and to the country at large.

In framing this year's Budget it has been my purpose to give as much encouragement as I believe we can afford to an economy *which is now moving in the right* direction.

To hearken to the voices that urge us only to "borrow, borrow, borrow", would perform no service to British industry or to the unemployed. On the contrary, it would lead only to the dead end of a plummeting exchange rate or a rocketing rate of interest — or both.

Better by far to secure, as I have done, a prospective level of borrowing that is below that of the year now ending — and so to *maintain our progress* towards stable prices.

And at the same time, as in each of my three earlier Budgets, to achieve substantial tax reforms, to promote the wider ownership of wealth, and to encourage the productive private sector, which in these past three years has made giant strides towards the restoration of our reputation as a trading nation.

This is a Budget that will give confidence at home that growing markets will be there for those prepared to go out and win them and so a better prospect of employment opportunities for those who look only for the chance to work; and confidence abroad, that Britain stays on course, to put a dismal record of performance behind us, once and for all.

This Budget us designed to give that double boost to confidence. I commend it to the House and to the nation.

The Chancellor spoke for one hour and 50 minutes.

Parliament today

Commons (2.30): Questions. Transport, Continuation of Budget debate. Lords (2.30): Debate

Foot fears too little impact on jobless

Mr Michael Foot, Leader of the Opposition (Ebbw Vale, Lab) said the Chancellor showed in this speech a nice discrimination because he hurried over the general matters concerned with the monetary and economic strategy of the Government. He was wise in that. It was the policies he introduced in previous Budgets which had so sorely contributed to the situation.

He said that he wanted justice for the Exchequer. The more we look at it and examine this Budget and his previous Budgets *(Mr Foot continued) we will* discover that what is wanted is *not justice for the Chancellor* but mercy for the Chancellor, and that is what he does not deserve.

He has a difficulty. *He has to* steer first between the prejudices of Mrs Thatcher and the prejudices of Mrs Thatcher, and it is a difficult course to steer.

Her moods change. Sometimes she is her gay, exhilarating, galvanising self, and the next moment she may be plunged into insipated Pymism.

If anybody wants to know what that means they can take a look at him at this moment. It means a general feeling: "Well, we cannot do much about it now boys. We have to put up with her for another period. No chance of doing anything until after the general election. Let's just grin and bear it even if we cannot understand what the Chancellor has to say".

The Chancellor had not by any means dealt with the major concerns facing the country. The *budget's major defect was that it* showed no proper understanding of the scale of the catastrophe which had befallen Britain.

The latest scheme to help employment looked a pretty miserable, squalid affair, cooked up at the last moment. It seemed to have come from the employment department, too. The Government, in the past three years; had done immense damage to the whole of the arrangements for training. The number of apprentices was lower than in the whole of Britain's modern *history.*

The major defect of the proposals today was that they took no account of the huge, real total of unemployment. On February 11 there were 3,044 878 registered unemployed, an increase of almost 600,000 in a year. One in eight of the labour force was out of work

Last year the Opposition prophesied that the country was heading for three million, and had their proposals been taken up this could have been avoided. But the Tories had denied the prophesy. Perhaps the most disturbing aspect of the last year had been the rapid rise in the number of long-term unemployed. Those out of work for a year or more had risen from just under 500,000 to one million.

In the two years since the Government took office, output had fallen by six per cent. That was the real test by which the budget should be judged. That was the kind of problem the budget should have been tackling, but it went no way to dealing with the problem on that scale. Only the driest of "wets" would take that view.

Although the details would be worked out over the *next few* days of debate, he estimated that in order to make good what had been taken out of the *economy* in the autumn there would have to be expansion of around £5,000m; but the present proposals would achieve nothing like that.

There were items which contributed to a reflationary situation, such as the reduction in the National Insurance contribution, which the Opposition favoured. but it would provide nothing like the total amount which should have been made available and taken together with the measured of the autumn, it was on balance a deflationary package which was more likely if anything to add to unemployment rather than reduce it.

That was a policy which Mrs Thatcher demanded that no Chancellor should pursue. The Budget was far from being one which dealt with the problems facing the nation or which faced the mammoth task.

This is (he said) a Budget of threads and patches. After a while the only person who will be enthusiastic about it will be that wandering minstrel, the Chancellor of the Exchequer. It is a Budget which fails to match the reality of our problem and which fails to look at the mass of human misery involved in unemployment figures on this scale.

It is a Budget which does not measure in any sense the enormous task which faces this nation.

We have to set about that task as speedily as we can. The first necessity for the recovery of this country is that we should remove not merely the Chancellor of the Exchequer but the Cabinet to which the Chancellor owes his allegiance (Labour cheers).

No let-up signalled to the tight rein on public cash

By Melvyn Westlake

Public spending in the coming financial year is predicted to be £114,900m, or about 9.2 per cent higher in cash terms than the likely out-turn for the present financial year. The figure for 1982-83 is £250m lower than shown in the White Paper on Expenditure published yesterday, which does not take account of various measures announced in the Budget.

Spending in the two subsequent years is also predicted to be lower, by about £700m, than shown in the White Paper. After allowing for yesterday's measures, expenditure in 1983-84 will rise 4.8 per cent in cash (compared with the intended plans for the coming year) to £120,400m and by a further 6 per cent in 1984-85 to £127,600m.

The Chancellor yesterday announced increases in public spending of £350m in the coming year, offset by cuts in spending elsewhere.

The latest spending plans are the first to be provided wholly in cash terms. The Government has scrapped the system previously used for planning public spending in volume terms, which had been in existence for nearly two decades. In the past, governments have decided how many miles of road and how many new hospitals they planned to build and then worked out the cost.

Under the new system, the Government decides how much it intends to spend in cash and then decides what goods and services this will permit it to buy. This change means that spending plans can be converted directly to cash limits.

The latest figures show that spending in the present year is likely to be a little lower than was foreseen as recently as December. It appears that expenditure in 1981-82 will come out at a little more than £105,000m rather than the £107,000m expected. This is equivalent to about 45 per cent of total output. That is the highest proportion since 1975-76 and compares with 41 per cent in the last full financial year before the Government took office.

Among the changes announced yesterday was an increase in the Contingency Reserve. This is used as an instrument for controlling public spending, and any unexpected expenditure comes from it. The reserve is increased to £4,000m in 1983-84 and to £6,000m in 1984-85.

The Government's priorities, as reflected in the plans in the White Paper, remains largely unchanged. More is being spent on defence, health, employment services and law and order. It was announced in December that to allow for some increases in priority spending, a general cut was being made in almost all cash-limited spending, mostly of about 2 per cent, (and in some cases substantially more). This includes savings on staff and other administrative costs of central government. Savings are also to be made through increased efficiency in the health service, and reductions have been made in some planned capital spending. But the recent fall in tender prices means that there should be no significant effect on the previous plans for the amount of work to be carried out in 1982-83.

As in redent years, the increases in public spending in 1982-83 will be chiefly on the wages and saleries and the other current forms of spending rather than on capital projects. While current spending is planned to rise by 8.05 per cent, capital expenditdure will go up by less thabn 1 per cent.

he White Paper says that the Government will continue to give priority to worthwhile capital projects wherever this can be done within the overall public spending totals. The main changes in current spending between the coming year and the present one are a fall in housing subsidies and and increase in social security benefits, largely as a result of increases in pension payments.

MAIN POINTS OF THE WHITE PAPER

● The Government's revised expenditure plans for 1982-83 onwards are higher than the cash equivalent of those in the March 1981 White Paper. For 1982-83, as already announced, the planning total is £115b, some £5b more than the earlier plans. For 1883-84 and 1984-85 the provisional planning totals are £121b and £128b respectively. These plans are in cash, not in the constant prices used in previous White Papers.

● The main increases in the plans for 1982-83 are for local authority current expenditure (£1.3b), nationalised industries' total net external finance (£1.3b), social security (£0.9b), employment services (£0.8b) and defence (£0.5b).

● Total public sector capital expenditure in 1982-83 is planned to be about the same (£11½b) as expected in 1981-82. Expenditure on construction is expected to rise by 13 per cent to £10¼b. The output from housing investment in 1982-83 should be higher than in 1981-82. There should be a slight increase in the work done on water and sewerage projects in 1982-83 compared with 1981-82. Nationalised industries' investment (including that financed from their own resources) is planned to be over £7½b in 1982-83, 23 per cent higher than expected in 1981-82 and 40 per cent higher than in 1980-81. In these ways the Government is planning for the continued upgrading of public services.

Below are extracts from the Budget document "The Government's Expenditure Plans 1982-83," published by HMSO, price £4.15.

Main features of the Government's plans for expenditure in 1982-83 were announced by the Chancellor on December 2, 1981. This White Paper now gives a fuller account of the plans for the years 1982-83 to 1984-85.

The planning total for 1982-83 is £115bn, some £5bn higher than the equivalent of the programmes set out in the last White Paper, and some £9bn higher than the expected outturn for 1981-82. The planning totals for 1983-84 and 1984-85, £121bn and £128bn respectively, are provisional and will be reviewed in the 1982 survey.

In 1981-82 the total outturn is expected to exceed plan by nearly £1½bn, chiefly in respect of local authorities' current expenditure. This has been taken into account in deciding the appropriate figures in this White Paper for 1982-83 onwards. The plans have been increased in other areas, notably nationalised industries finance, employment services and defence. These increases have been partly offset by reductions elsewhere.

Cash planning

Public expenditure is now planned in cash, not in the constant prices used in previous White Papers. The cash plans embody the principle, already well established in the system of cash limits, that levels of service must be determined in the light of the finance available.

1981 was a transitional year. The starting point for the 1981 public expenditure survey was the constant price ("volume") plans of the March 1891 White Paper, converted into cash in the way explained in this White Paper.

The Government then took the decisions resulting in the changes summarised below. Some of the changes included allowance for pay and price movements expected to differ from the general factors used to revalue the previous plans. The services which can be provided within these cash totals will depend on the actual movements of pay and prices.

The starting point for the 1982 public expenditure survey will be the cash plans contained in this White Paper.

Changes since the previous White Paper

Since the previous White Paper, the programme plans for 1982-83 have been adjusted where necessary for revised economic assumptions *(chiefly affecting social security and housing).* The planning total remains the same at £115b.

Social security

By far the largest single programme is social security, which accounts for over one-quarter of the total. Nearly all of this expenditure is on benefits, and about half is for the elderly.

The increase *of £870m in the plans for 1982-83* results chiefly from three factors. First, the decision announced in the last White Paper that, for these long-term benefits for which the Government has given a pledge of full price protection during the life of the present Parliament, the shortfall of 2 per cent in the 1981 uprating will be made good in the 1982 uprating. *Second,* a level of unemployment somewhat higher than previously assumed. Third, a higher estimate of the proportion of the unemployed likely to claim supplementary benefit.

Provision is transferred from the housing to the social security programme because of the Government's proposals to introduce a new scheme for housing benefit.

For the social security projections, prices were assumed to rise by 10 per cent between November 1981 and November 1982, and by 6 per cent and 5 per cent respectively in the next two years. It has also been assumed provisionally that unemployment (Great Britain, excluding school leavers etc) would average 2.6m in 1981-82, and 2.9m a year thereafter. This is not a forecast or a prediction. If developments on pay and the world economic recovery are favourable, there is a reasonable prospect that unemployment levels in the later years may turn out to be somewhat lower than has been assumed.

Employment

The Prime Minister announced on July 27 1981 an increase of £650m in planned expenditure in 1982-83 on special employment and training measures, mainly for young people and the Job Release Scheme. Total spending on these measures will be £1,500m in 1982-83. There is also increased provision for the redundancy fund in 1982-83, and in future years for the new youth training scheme and other training reforms.

Defence

Provision for defence is intended to reflect the Government's firm decision to aim for real increases in the region of 3 per cent a year in line with the NATO target. Additional provision has been made for 1982-83 and the subsequent two years to cover the cost of carrying forward the 1981 armed forces' pay award and to provide for the restructuring of the defence programme.

Health

Planned expenditure on health is being increased by £80m in 1982-83, after taking account of savings of £27m through increased efficiency. This allows for demographic change and some improvement in standards, including advances in technology. The net increase is reduced by receipts from increased charges.

Law and order

The increase of £110m in the Home Office plans for 1982-83 reflects the Government's continuing commitment to the law and order services. The plans allow for an increase in police manpower from about 118,000 in March 1981 to virtually full establishment two years later. Extra spending on prison building is also planned.

Education

Provision for education is substantially affected by the increase in local authority current expenditure. The programme takes account of the continuing decline in the school population up to age 16. Additional provision is being made for 16-19 year olds in schools and colleges, and for the restructuring of higher education.

Local authority expenditure

The increased provision for local authority current expenditure involves increases *in those programmes* which include both local authority and central government expenditure: in particular transport, other environmental services, law and order, education, personal social services, and Scotland and Wales. In some cases the *increases* have been partly offset by savings of other services in the programme.

Nationalised industries

Total net external finance for the nationalised industries has been substantially increased compared with previous plans, by £1.3b in 1982-83, about half the increase for which the industries bid. As a result of the increase, the industries' planned investment in 1982-83 is over £7½b, which is higher than the cash equivalent of the plans in the previous White Paper, even though they expect substantially lower internal resources than forecast.

Reductions

A general cut in the cash equivalent of the previous *plans has been made in* almost all expenditure subject to cash limits, mostly of at least 2 per cent and in some cases substantially more. The main exception is defence.

As part of this cut, savings have been made on central government staff and other administrative costs, including accommodation. The reduction in civil service staff numbers already planned will contribute towards these savings. Savings are also to be made through increased NHS efficiency.

The cut in cash-limited expenditure applies also to certain capital expenditure mostly in transport and other environmental services, but because tender prices have fallen, this should have no significant effect on the previous plans for 1982-83 for construction of motorways and trunk roads, water and sewerage works, etc.

Public expenditure and GDP

The ratio of total public expenditure (including debt interest) to GDP in 1980-81 was 43½ per cent. For 1981-82 the ratio is expected to be higher, reflecting the further real fall in GDP and the increase in public expenditure (especially in social security). In 1982-83 the ratio is expected to fall because of the expected real rise in GDP and the curbing of public expenditure.

Cash limits

For the first time, the White Paper plans for the year ahead (1982-83) can be translated directly into cash limits. The vast majority are on voted expenditure and published in the estimates.

Cash limits are the control figures for the coming year. They will not normally be *revised during the year.* Any increase in expenditure which is decided will be charged to the contingency reserve.

40 per cent of public expenditure is directly cash-limited. Another 40 per cent consists of "demand determined" services where, once policy and rates of payments have been determined, expenditure in the short-term depends on the number of qualified applicants: eg social security benefits. The remaining 20 per cent is local authority current expenditure: the rate support grant, the Government's main contribution to the financing of such expenditure, is subject to a cash limit, but not the expenditure itself.

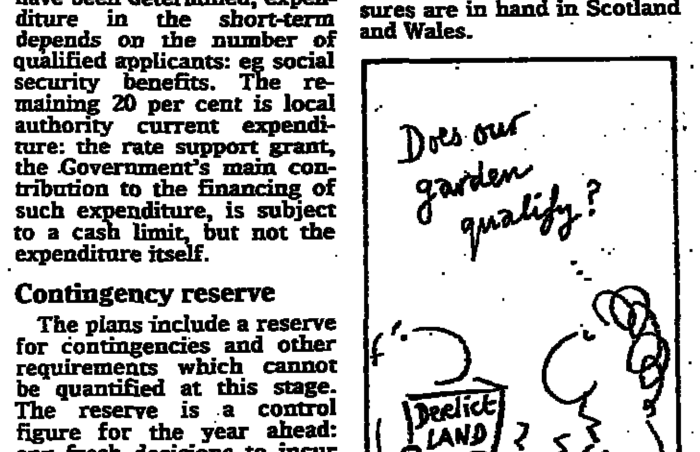
Contingency reserve

The plans include a reserve for contingencies and other requirements which cannot be quantified at this stage. The reserve is a control figure for the year ahead: any fresh decisions to incur expenditure which cannot be accommodated within existing programmes will be contained within the reserve. For 1981-82 the reserve was £2,500m. It is now expected to be underspent by some £900m, a partial offset to the large overspend by local authorities.

For 1982-83 the reserve is set at £2,250m. For the later years the greater uncertainty requires a bigger reserve to make the planning total realistic. Contingency reserves of £4bn and £6bn respectively have been provided in 1983-84 and 1984-85. These figures will be reviewed in the 1982 survey, before the control total is set for 1983-84.

Staffing

The Government intends a continuing saving in public service manpower. The civil service has been reduced from 732,300 in April 1979 by nearly 8 per cent to 675,400 in January 1982, the smallest total for nearly 15 years. A further reduction is planned, to 630,000 by the end of 1983-84, a total reduction of 14 per cent. The civil service will then be smaller than at any time since the end of the Second World War. Manpower in the NHS is estimated to have increased by some 40,000 (full-time equivalents), about 5 per cent. A breakdown by manpower category is not yet available for 1981, but nearly 80 per cent of the increase between 1979 and 1980 was for manpower directly involved in patient care. In England the Government has set a target of a 10 per cent reduction over the next three years in NHS management costs as a proportion of NHS resources. Comparable measures are in hand in Scotland and Wales.



Local authorities' manpower in Great Britain has been reduced by over 70,000 (full-time equivalents), or 3 per cent, between March 1979 and September 1981. The net saving so far in local authorities' manpower is, proportionately, less than half the reduction in the civil service. Further savings are envisaged in the expenditure plans. The largest reduction has been in the education service: manpower fell by nearly 60,000, or 5 per cent between 1979 and 1981, but this service still employs nearly half of local government workers. The staff employed on law, order and protective services increased by 11,000 (4 per cent) over this period, and further slight increases are planned.

Pay

Pay accounts for some 30 per cent of total public expenditure; in many programmes the proportion is much higher. Labour costs are also an important component in the cost structure of the nationalized industries. Within a framework of cash planning, excessive expenditure on pay reduces the money available to finance investment or services to the public.

Capital and current expenditure

The Government continue to give priority to worthwhile capital projects wherever this can be done within the overall public spending totals.

The main changes in *current expenditure between 1981-82 and 1982-83* are a fall in housing subsidies, and the increase in social security benefits ("current grants to persons") chiefly as a result of increases in pension payments. Provision in 1982-83 for pay and related costs reflects the saving in public services manpower mentioned above, and the general allowance of 4 per cent for pay increases.

*Capital*expenditure in 1882-3 (which is defined to include nationalized industries' borrowing for whatever purpose it is used) is planned to be about £11½b, about the same as in 1981-82. Total *construction* expenditure, including investment on construction planned by the nationalized industries, is expected to rise from £9b to £10¼, an increase of 13 per cent.

Because current expenditure, and hence the total, will increase, capital expenditure in 1982-83 is expected to account for 10¼ per cent of total spending, compared with 11¼ per cent in 1981-82.

The figures need to be seen in the context of the industries' aggregate capital *requirements. The industries'* plans for fixed asset spending total over £7½b in 1982-83, nearly one-third by British Telecommunications.

The figures for 1981-82 and future years exclude the external financing of the National Freight Company Limited, in which the Government sold all its shares in 1981-82. The figures for 1983-84 and 1984-85 *exclude the external financing* of the British National Oil Corporation and the British Transport Docks Board; this is on the assumption that shares in BTDB and in the upstream business of bnoc will be sold in 1982-83 and that control of these bodies will pass to the private sector.

Because of uncertainties about timing, no allowance has been made in the nationalised industry figures for the effectss of other sales in the special disposals programme.

Almost all the industries expect to have substantially lower internal resources than forecast previously, largely because demand and therefore revcenue have been lower. The industries aggregate external financing needs are still expected to decline over the survey period, but from a higher base rate and moer gradually. Even so the industries as a whole are expected to finance two thirds or more of their investment from internally generated funds.

These plans depend on the industries making major efforts to bring current costs above all wage costs, under control, in the way that privvate sector companies are having to do. Failure to do this is likely to mean either higher prices or less investment.

In 1980-81 local authorities in Great Britain spent £1,050m (6 per cent) more than the Government's plans for current expenditure relevant for grant. In 1981-82 local authorities' budgets totalled £1,700m (9 per cent) above the Government's plans. As a result the Secretaries of State for the Environment and for Scotland have proposed to reduce Rate Support Grant for 1981-82 by £250m; the precise amount will depend on the eventual overspend. In Wales spending is estimated to be close to plans, and the Secretary of State for Wales will consider whether Rate Support Grant should be reduced there when actual expenditure by Welsh local authorities in 1981-82 is known.

Local authority current expenditure in 1982-83 in this White Paper is some £1.3b *higher than the cash figures* based on previous plans. Overspending by local authorities in 1981-82 meant that they would not be able to get down to the levels previously planned for 1982-83. The new higher plans for 1981-82. Allowing for pay and price increases, local authorities will have to make significant real economies to keep within the new plans.

The Government attach the utmost priority to achieving these targets for local government current expenditure. The Rate Support Grant settlements for 1982-83 and this White Paper set out the Government's views on the levels of expenditure on local authority services which can and should be achieved. In taking the necessary steps to realise these plans it is for local authorities to make their own choices

TOTAL PUBLIC EXPENDITURE BY PROGRAMME £m CASH

	1976–77 outturn	1977–78 outturn	1978–79 outturn	1979–80 outturn	1980–81 outturn	1981–82 estimated outturn	1982–83 plans	1983–84 plans	1984–85 plans
Defence	6,183	6,820	7,495	9,226	11,178	12,634	14,103	15,300	16,440
Overseas aid and other overseas services									
Overseas aid	503	602	723	802	919	989	973	1,040	1,110
Net payments to EC institutions	220	555	731	851	288	45	500	580	600
Other overseas services	316	427	378	454	508	613	666	700	740
Agriculture, fisheries, food and forestry	995	884	830	1,038	1,384	1,557	1,534	1,490	1,500
Industry, energy, trade and employment	3,093	2,248	3,048	2,892	4,190	5,602	5,845	4,860	5,030
Transport	2,349	2,273	2,452	2,972	3,487	3,922	4,160	4,340	4,490
Housing	3,805	3,569	3,716	4,699	4,675	3,320	3,480	2,760	2,860
Other environmental services	2,051	2,157	2,448	2,873	3,377	3,471	3,747	3,870	4,030
Law, order and protective services	1,678	1,798	2,041	2,586	3,180	3,747	4,108	4,450	4,700
Education and science, arts and libraries	6,982	7,338	8,094	9,350	11,376	12,362	12,754	13,110	13,410
Health and personal social services	5,937	6,540	7,425	8,899	11,366	12,764	13,633	14,480	15,250
Social security	11,603	13,905	16,425	19,400	23,440	28,618	32,030	33,500	35,400
Other public services	735	761	821	969	1,213	1,333	1,370	1,520	1,610
Common services	708	770	857	1,013	1,103	1,599	1,633	1,800	1,930
Scotland	3,060	3,234	3,679	4,423	5,292	5,722	6,062	6,270	6,490
Wales	1,248	1,311	1,488	1,769	2,124	2,288	2,423	2,500	2,610
Northern Ireland	1,627	1,814	2,134	2,449	2,902	3,276	3,546	3,780	3,990
Government lending to nationalised industries	284	–218	693	1,857	2,276	1,816	1,114	1,260	1,140
Adjustments									
Nationalised industries' net overseas and market borrowing(1)	1,269	923	458	–321	–448	202	–180	50	–370
Special sales of assets		–548		–999	–356	–50	–600	–600	–600
Contingency reserve						300	2,250	4,000	6,000
Planning total	54,649	57,162	65,934	77,201	93,475	106,130	115,150	121,070	128,370

(1)Including other public corporations accorded similar treatment (see Part 5).

PLANNING TOTAL £m CASH

	1976–77 outturn	1977–78 outturn	1978–79 outturn	1979–80 outturn	1980–81 outturn	1981–82 estimated outturn	1982–83 plans	1983–84 plans	1984–85 plans
Public expenditure programmes									
1. Central government (including government finance for nationalised industries)	36,498	39,497	46,471	55,715	67,701	77,819	84,127	117,630 (lines 1–3)	123,340 (lines 1–3)
2. Local authorities	15,812	16,305	17,993	21,583	25,109	26,471	28,036		
3. Certain public corporations' capital expenditure	1,070	986	1,013	1,223	1,469	1,387	1,517		
Adjustments									
4. Nationalised industries' net overseas and market borrowing(1)	1,269	923	458	–321	–448	202	–180	50	–370
5. Special sales of assets (net)		–548		–999	–356	–50	–600	–600	–600
6. Contingency reserve						300(2)	2,250	4,000	6,000
7. Planning total	54,649	57,162	65,934	77,201	93,475	106,130	115,150	121,070	128,370
8. Percentage change on previous year		+4.6	+15.3	+17.1	+21.1	+13.5	+8.5	+5.1	+6.0
Memorandum items									
A. Debt interest – net(3)	1,423	1,842	2,384	3,714	4,634	6,200	6,500	7,000	7,500
– gross(3) (not included above)	6,429	7,222	8,351	10,585	12,609	14,400	15,500	16,000	16,500
B. Nationalised industries' total net borrowing (included in lines 1 and 4)	1,552	706	1,139	1,526	1,810	2,000	913	1,280	760

(1)Including other public corporations accorded similar treatment (see Part 5).
(2)Amount shown is expected to be fully spent by the end of the year.
(3)See paragraph 57.

Rab Butler: the man who saw his prize snatched away

by Enoch Powell

Rab Butler was a large man. He was large in frame: those who knew him only from photographs or television were surprised, *on meeting him*, to encounter so lofty a figure. He was large in achievement: for years he moved from one commanding position to another in British government. He was large in mind and spirit, contemplating men and politics with a broad and comprehensive outlook.

Among the swarm of those who, in their own or others' estimation, might or should have been prime ministers, he was the genuine article. The key to his public character is to be found in the dignity and self-control with which he thrice saw the prize snatched away.

I have a right to say so; for I was one of two men who, regardless of consequences, would not submit to serve in a government which we were convinced personal and public destiny had marked out R. A. Butler to lead.

Born in 1902 and saddled from boyhood with the disabling results of an injury, he missed — and I believe he was always conscious of having missed — the privilege of wearing uniform in either war. That was mere chance; but to some of us it was a chance that seemed to match an aspect of his character. He was not the kind of man for whom any cause — not even his own — was worth fighting to the death, worth risking everything.

When in 1963 a different man would have fought, and won, Rab chose not to. But the premiership, unlike the priesthood of the grove at Nemi, is not the preserve of those who have slain *their predecessor* or *their* rivals. Nobody who observed Rab Butler in administration or in Cabinet could doubt his capacity for government. Nobody who heard Rab Butler interpret the Conservative Party to itself and to the country could doubt that he understood and represented the meaning and purpose of Conservatism in a way that none of his contemporaries did. To call him a "great public servant" is not cliché: it is an accurate identification of his attitude of mind and of the stronger and of the weaker sides of his personality.

When I look for other examples of the category "great public servant" to which Rab belonged, I do not find them extant. Ambition and pride are universal human qualities, and Rab possessed them too; but his tenure of nearly all the major offices of state put him in the rank not of the successful political careerists but of those figures, commoner in the eighteenth than in the nineteenth century, who found work to do all their lives in seeing that "the King's government was carried on".


Rab Butler as seen by Vicky

'Rab's departure from politics 17 years ago left a void that has not been filled . . . What a different and better House of Commons, what a different Conservative Party it would have been if his intellect . . . had been available longer in that place'

Every office and every phase of politics was a challenge to qualities of mind and temper as well as a demand upon industry and endurance. Rab was telling us this about himself when he chose to entitle his autobiography "The Art of the Possible". In every exigency of government there lies hidden "the possible", the analysis and the plan of action which will enable society and the nation to cope not unsuccessfully with each succeeding predicament.

It is a business of intellect as well as of instinct; and in the sense that he revelled in applying to affairs of state his *exceptional powers* of mind, R.A. Butler was rightly classed as an intellectual. But his intellect was essentially practical in its bent: his was not a speculative mind, like Salisbury's or even Gladstone's. This is why I think his later years as Master of Trinity were not his happiest. Characteristically, and herein too a "public servant", he had decided to "call it a day" when after 1964 long years in opposition loomed ahead. He would take his congé and not stay around to fight on against years and rising odds. I remember, as the only non-member of his family privileged to be with him in the Lodge on the day of his installation at Trinity, being struck by the impression of loneliness and unease: the academic world too was a world of the intellect, but it was not the world of *his* intellect of "the possible".

Rab's departure from politics 17 years ago left a void that has not been filled. He was only 62. What a different and better House of Commons, what a different Conservative Party, it would have been, if his intellect, his Toryism and his knowledge of "the possible" had been available longer in that place, and if a whole parliamentary generation — parliamentary generations are about half the length of natural generations — had not been deprived of his influence, and deprived what is more, of his wit.

I left the mention of his wit till last; but all who were devoted to Rab were affectionate admirers of his "Rabbisms", remarks apparently innocuous or laudatory, which yet contained some adventitious phrase or adjective that set one wondering: "did he really mean that?" Of course he did. The "Rabbism" was the ironical signature tune of a memorable man, powerful in mind, shrewd in insight, faithful in service. His place in our history will not diminish as the years go by.

Part 4 of our series Four Cities, Four Crises, *a study of Swansea, has been held over until next Wednesday because of Budget coverage.*

The best yet from Sir Geoffrey

By David Blake, Economics Editor

Practice does not make perfect for Sir Geoffrey Howe as a Budget producer, but it does make him better. Yesterday's Budget, unlike that of last year, contains nothing which will do actual harm to the prospects for economic recovery and quite a few things which will help. The key question for him and for the economy is whether the rest of the world will oblige with the private-sector-led growth on which he is clearly depending.

The Budget, in tax terms, is cautious but not actively restrictive. Public borrowing is expected to be increased by about £1,300m as a result of the Chancellor's measures, almost exactly what had been expected. The relief has been concentrated on industry through cutting the National Insurance surcharge (NIS) which has long been top of everyone's list of measures to boost the number of jobs in the economy.

Ordinary taxpayers will get some help, because their allowances are being raised by two per cent more than the inflation rate, which will help living standards over the years ahead.

That is hardly enough to constitute a pre-election boom, but it ought to keep up the level of private consumption over the next year. This has become increasingly important for a whole range of consumer goods industries, whose attention to the case for cutting the tax that industry pays through the NIS has been weakened recently by the realization that many of their potential customers have begun to cut back their purchases because living standards have been falling.

The reflation is smaller than most outside economists would have liked. Against a background of three million unemployed, it looks too small to have much impact. But that fits in well with the Government's theoretical view, which is that in any case reflation through cutting taxes or boosting spending cannot create extra output and jobs.

This Budget will be looked at from both Keynesian and monetarist points of view. The Government does not believe in the Keynesian arithmetic which will underly the claim of many that the Budget still leaves them taking a very tough stance indeed. Over the past two years, the Government has cut its borrowing even though the recession has got worse. It has gone on with the process this year. But what is the picture like if it is looked at in the monetarist way the Government likes to do, through the Medium Term Financial Strategy (MTFS) and the money supply?

Here the picture switches from being a very cautious nudge on the accelerator to an abrupt U-turn. All of the basic principles of the strategy as originally set out have been torn up. When MTFS was constructed in 1980, it had at its heart the belief that the authorities could control the money supply and could use one simple measure (Sterling M3) to tell them how well they were doing. The original statement said that in 1982-3, this would be allowed to grow by only 5 to 9 per cent.

That policy said that the Government might have to change *virtually everything in its handling* of the economy except that "there would be no question of *departing from the money* supply policy, which is essential to the success of any anti-inflationary strategy."

Yet that is exactly what it has done. The excuse is that the system of banking is changing and that the new figures do not involve any loosening of policy. That is nonsense, and the Government presumably knows that it is. When the original strategy was drawn up, the clear goal was that inflation should come down to low single figures by 1983. That is not in prospect, with money supply growing by between 8 and 12 per cent in the coming financial year and 7 to 11 per cent in the year beginning April 1983.

Much of the revision is simply a new realism from the Government. It now knows that inflation is not going to fall as fast as it wanted and it has wisely shifted its public stance now instead of waiting for an election year.

But there is more to it than that. There is no longer any pretence that one target for the money supply will tell you everything you need to know about the economy. Instead, there is to be a whole series of money supply targets.

The one certain thing about all these various measures of money is that they will be moving in different directions at different times.

So when the Government says that it is setting an 8 to 12 per cent target range for all the different measures of money, it is actually saying that it will feel free to make things up as it goes along. In controlling the money supply, things are very like the circumstances which allowed Lloyd George to escape an angry mob. As one of his opponents ruefully commented on the failure to string him up: "Everybody's business is nobody's business." Many money supply targets are no money supply targets.

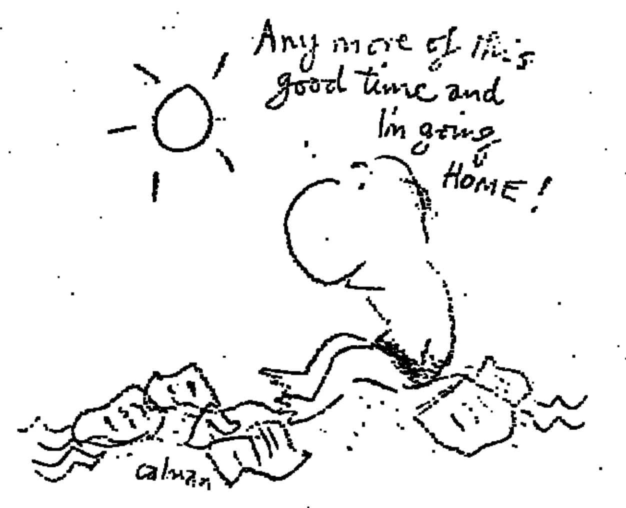
The Government has, indeed, disengaged itself from its policy even more than that implies, for the figures for future years are specifically said to be open to change. Gone is the clear certainty that people need to be given detailed plans for the future to be sure that inflation will come down.

What the Government hopes is that people will believe that inflation is coming down because they see that it is. That is a more sensible way to proceed. It is a pity it took so long to get there.

Why is all this necessary? Because if there is going to be any recovery, the amount of money in the economy will have to go up. Companies will need to borrow as they build up their stocks and build up their work forces. That means the extra bank borrowing pushes up the money supply, as it has been doing at a rate of well over £1,000m a month in recent months.

Having been deeply worried about this growth in private sector bank borrowing, the Government has now decided to try to enjoy it. Although the level of public borrowing has been kept down, this has also meant, as critics of the Government always warned that it would, that the targets have had to be eased. The quesion is how this will turn into higher growth for the economy.

Glad you're not here — love, Spike



Hello! It's glossy holiday brochure time in old England! Oh, those gorgeous glossy holiday brochures. "Come to Naughty Noumea! Agile Algiers! Marvellous Marbella! Bella Blackpool! as irresistible as Elizabeth Taylor on black silk sheets". But seriously folks! Sometimes the places look better on the brochure than in reality. I come to you as your merry, friendly "I'm warning you" travel guide. Let us flip the pages.

Of course! Villa holidays on Rhodes! One-time pearl of the Aegean. Centre of Greek *Classicism! Site of the* Colossus.

So. oft we jolly well went!

As dawn breaks at glittering Gatwick we lug our own baggage as the merry porters are still in bed. To the beautiful British Airways desk — ah! The merry flight is delayed. Can we go to the cosy Captain's lounge? No. *Why? There isn't one.* Four hours later our flight is ready! Up and away — but! over. fun-filled Frankfurt, our cheerful Captain tells us "the undercarriage is jammed, we must return to gleeful Gatwick"! Briefly, at 2.00 am the *following morning* we put down in romantic Rhodes.

We go to our Avis "no-fuss-get-in-drive-away" girl who is closed. After a magnificent moonlit row we get a dying Greek taxi. At 3.30 am we reach lovely Lindos. We are met by a smiling dragoman — a mixture of the Mafia, and the man from the Pru. We carry our luggage through the "too-narrow-for-taxis-streets" to our "villa".

Two "rooms", ample space for four midgets. By the time we hang up our clothes it's down to one room for four midgets with agoraphobia. No air conditioning, mosquitoes and 115°, hooray, our sun-soaked luxury holiday has started! *We* didn't have to get up in the morning, not like those poor Greek workmen who roared by our "villa" at 6.30 am on motor tricycles with no exhaust silencer.

Refreshed by three and a half hours sleep, we race energetically to the beach — wonder-world of fag ends, fag packets, plastic cups, tomato skins, coke tins, lemon peel etc. The night life — wow! Six restaurants and two discos — all playing different tunes — shattering the peace of the night. Still, I have my happy holiday earplugs! That was 1979. Comes 1980. . . . Which glossy brochure this time? Ah! Terrific Tunis! Bulging belly dancers, the land of lotus eaters — ancient Carthage — cuss-cuss — camels, dates. We can't get these things in Finchley can we dear?

So off we jolly well go. Healthful Heathrow — 0600 — a magical Pakistani outpost. . . . see there . . . a family camped out by the news stands. "Flight BA 31 *for Tunis is boarding now*". Two hours and we are on the tarmac of El Aouina Airport in pelting sun-warmed rain. A welcoming Arab Customs official confiscates my cassette recorder, we have a rollicking fun-filled row. The carefully "phoned-in-advance-paid-telex-confirmation-self-drive-Mercedes" is not here. Oh!, they've arranged for fun and games! Hunt the Mercedes. First this kiosk — then that! Are we getting warm? Yes, 120° — but no merry Mercedes. So, we have a "let's-charge-those-bastards-double" taxi driver. Through the lovely litter strewn verges we go. Arriving at Skanes Palace on the sea, our bungalow has traditional non-working air conditioning.

We sleep with windows and doors closed sucking, in the hot night air heavy with the erotic musk of anti-mosquito spray. *My diary: Monday to Ras Dimas.* Here, once stood a mighty Roman seagirt town. Now stand three Arab youths with spear guns who attack us, we just escape with our lives. We laugh gleefully at the pursuing Bedouins who shower us with pieces of ancient Thapsus . . . What fun explaining to the grinning local police: I'd never heard that sort of abuse in Arabic before. I could go on — I will — there was Cheerful Corfu *Villas* with half the light bulbs missing — electrified taps — burst plumbing — lovely dirt-strewn beaches. Discos shattering the night — filled with tattooed drunks from Birmingham — Wae-upping, being sick.

Who said travel wasn't romantic anymore? I did.

Spike Milligan

Washington

The anti-nukes take off in small-town America

Henry Fairlie

The town meeting in New England is one of the region's most historic institutions. The town elects its aldermen and selectmen as it *has done for perhaps 350* years. It decides whether to buy another snowplough. It may vote to auction its old tramp house. The meeting is quite likely to recess at midday for a hot dinner and homemade fudge.

The issues seldom interest anyone outside the immediate area. Yet when two-thirds of Vermont's 252 cities and towns held meetings last week, all three television networks sent reporters and camera crews to cover them. For this time the parochial gave way to the international: no fewer than 155 of the 185 town meetings voted in favour of a resolution which called for a mutual freeze by America and Russia on the production, testing and use of nuclear weapons.

In West Windsor the resolution was passed unanimously. *The vote in Northfield*, one of the 22 towns where it was rejected, was 86 to 85. A generation ago the town meetings showed a similar interest in and near unanimity on an international question. The Massachusetts meetings in 1945 voted overwhelmingly to support American membership of the United Nations. The rest of the nation agreed with them. Does it now?

Visiting four separate states in the past two weeks, some of them 2,000 miles apart, I found undercurrents of a growing anti-nuclear movement. When I returned to Washington, one of the most experienced observers in town said to me, before I had had time to relate my own experiences, "The coming story is the anti-nukes". It is not that they represent a *majority, but that they re*flect something else of importance.

Something for which one has waited in America for almost 15 years seems at last to be happening. Ever since the American armies in Vietnam recoiled from the Tet offensive in 1968 — which in effect was the moment of defeat — one has expected a great national debate on the broad aims of American foreign policy.

The possibility that the present Administration might intervene with armed forces in El Salvador or elsewhere in Central America has revived all the old parallels with Vietnam.

It is of immense significance, not only that Mr Alexander Haig, the Secretary of State, met the Mexican Foreign Minister in New York last Saturday, but that another early meeting is scheduled. This is the first evidence that the Administration, lacking any support for its own policy, is at all interested in the Mexican peace plan. The scepticism of the majority of the public, Congress and the press over El Salvador has forced the Administration to retreat.

Mr Haig has suffered many humiliating days before Congress, but none more so than when he testified again last week. For what may well be the last time, he again attributed the troubles in El Salvador to the extent of Russian and Cuban penetration, using Nicaragua as their corridor, and he met a wall of disbelief which might have made even a general who had earned his rank on the battlefield quail.

Mr Reagan took a drubbing last week from almost every business organization on his budget. Even the executive committee of the powerful Roundtable, which represents 200 of the largest corporations, delivered its disapproval to the White House by hand. But that was not the unkindest cut. There used to be an advertisement, "You have a friend at Chase Manhattan". I never found that I did; but does the Administration any more?

Speaking for Chase Manhattan, David Rockefeller said in Africa: "We have *found that we can deal* with just about any government, provided that they are orderly and responsible". That was bad enough. But he then went on to say that he did not consider African Marxism to be a threat to the interests either of the United States or American business. He could not have made *himself more clear. Angola* has a friend at Chase Manhattan.

This ought to have come as no surprise. Many American companies doing business in Africa have for long been expressing their anxiety that the Administration might still wish to destabilize the Angolan regime. But businessmen as much as anyone are sceptical until it happens.

The cause of the scepticism again is the belief that the Administration measures *every local situation in Africa* by the simple rule that all troubles are caused by Russian interference. This is what Mr Reagan's erratically strident rhetoric has done. Informed and public opinion are both saying: "But the world is no longer as simple as that — Russia is not the root of all disturbance — and *that is why we do not believe* you."

That is why the national debate on foreign policy is now beginning. Wherever I went in the past two weeks, people seemed to be interested only in their jobs. But I did not have to scratch far below the surface to find a further but connected anxiety *over foreign policy* and defence. It is connected to the economic fears of everyone because it is the size of the military expenditure that is most criticized.

Why is the military spending so large? The answer comes back more distinctly than one expected. The Administration is spending too much on arms because it has no foreign policy but to be anti-Russian and so rearm.

President Reagan has not yet in 15 months given a major speech on foreign policy, one that defines American objectives and the *resources it will commit to meet them*. Neither has his Secretary of State, nor has his Secretary of Defence. The national debate is beginning not because he has encouraged and is leading it — but in the absence of such leadership. Americans are worried about their jobs. They are also worried about their lives.

THE TIMES DIARY

No confrontation on the Alderson patch

Barry Pain, the hardline Chief Constable of Kent, has ducked a confrontation with John Alderson, the liberal Chief Constable of Devon and Cornwall, on the contentious issue of community policing.

The intriguing encounter, at Exeter University next Saturday, would have been impeccably timed. Asderson retires next month, and the conference takes place the day after the name of his successor is announced from a short list of six.

Pain was invited as president of the Association of Chief Police Officers, many of whose members think Alderson a softy. Last year *Pain claimed* he had practised community policng for years, but did not spend all his time shouting about it from rooftops.

Pain declined the invitation, pleading prior engagement, despite the fact that only last week Alderson carried his evangelizing campaign on to Pain's own patch, with a lecture at the University of Kent. Now Devon *and Cornwall's new* Chief Constable-designate will hear his predecessor unchallenged expounding the policy which is expected to lead him to a political career as a parliamentary candidate for the Liberal-SDP alliance.



There has been some smoulderingly acrimonious correspondence between Monsignor Ralph Brown, general co-ordinator of Pope John Paul II's visit to Britain, and Peter Bander van Duren, trustee of the archive which controls the copyright of the Pope's personal coat of arms.

A chastened Brown admits that "at the outset" he did not realize that the papal armorial bearings were copyright. They were designed by Archbishop Bruno Heim, the Pro-Nuncio to the Court of St. James, who is also the Vatican's authority on heraldry. His Excellency's heraldic designs suggested to one reviewer that if God had not called Heim to His service, Walt Disney would have done.

Bander van Duren, of the Lion Archive which administers Heim's copyright, alleges that Brown and his business consultants, Mark McCormack' International Management Group, wanted to exploit the Pope's arms for commercial purposes. They deny ever having intended to use them themselves, and say that all inquiries from others interested in doing so are now being redirected to the Lion Archive. "We are not looking for trouble" says Brown meekly.

With clear voice

Readers' distrust of newspapers' values and judgment will not be eased by Shiela Grant Duff's account of how she came to be the first British correspondent in Prague when appointed by *The Observer* in 1936. In her memoir of the prewar years, *The Parting of the Ways*, to be published by Peter Owen tomorrow, she reports her interview with the foreign editor.

"I think we've got a correspondent in Prague", he said. "Oh no! I think he died, but if you should happen to meet him just say you're *a* correspondent and not *the* correspondent of *The Observer*.

Asked what aspects of Czechoslovakia particularly interested his readers, he replied: "Oh, cows with five legs and that sort of thing."

A seminar planned for London in May and entitled Strategies for Improving Energy Performance in Office Buildings is not, primarily at least, about stopping staff nodding off. It is about heating and lighting offices more efficiently, i.e. turning the heat down when you feel drowsy, and switching the light off before you go to sleep.

On deposit

Spain's archaeologists are agog about the discovery of a bronze statue of a magistrate from Roman times on a farm outside Granada, and a battle has already begun over its custody.

Workmen preparing to lay electricity cables on farm land near Pinar hit the statue — of a man in a toga more than five feet *tall — which has been identified* as dating from the second or third century AD.

The find, though clearly not as important as Italy's "Warriors of Riace", is considered significant because few bronze statues survive in Spain from the epoch, having usually been melted down in later ages.

Already baptised "*the man in a* toga of Periati", from the name of the farm where it was found, the statue is in good condition except for a missing right forearm.

The battle is over the need to ensure that it is properly preserved. Archaeologists are aghast that the landowner has entrusted the statue to a local savings bank *with an assurance that he will* take steps for its preservation. The National Archaeological Museum in Madrid is anxious to acquire it, as is the local provincial archaeological museum.

Cutting

PHS asked Egon Ronay to review the Barbican Centre's carvery, the Cut Above. He writes:

Like mutton dressed up as lamb, this is a mediocre cafeteria under a thin cloak of a dolled-up restaurant. Furnished in garish, cyclamen (against red walls!), lit with blinding harshness, yet with "intimate" candles on the tables, it mixes self-service carving with waiter-service for the first and last courses; dinner-jacketed reception with an absence of cloakrooms! ("No, we *cannot* take your coats, but you can put them on the chairs next to you").

Excellent quality meat totally unseasoned and surrounded by gluey gravy, long-boiled cabbage, shrivelled tinned peas, soggy roast potatoes and cardboard-hard Yorkshire pudding. The chef's all-pervading fetish must be gelatine, solidly surrounding the liver-sausage-like pâté and stoutly supporting sickly apple tart and medicinal cheesecake alike. The unappetising cold table is sorry evidence of overcooking and a predilection for grey-coloured meat.

A rare opportunity unforgivably missed, for which the friendly, helpful staff, good coffee and prices are no consolation. (Dinner £8.25 plus 10 per cent service; drinkable wines around £5-£8).

Late Bath

Bamber Gascoigne, the chairman of *University Challenge*, also publishes costly books about the historical prints of famous towns. Subscribers who order the book before it goes to press have their names printed at the front.

To date Twickenham has produced the highest number of subscribers, followed by Chelsea and Brighton. The list for Bath has just closed and Gascoigne admits: "Bath is trailing." What he would tell the town if it were a team of students embarrassing their university on the box would be: "*Do not despair*, there is still plenty of time to catch up."

For the citizens of Bath — the only town in England internationally famed for its architecture — the only hope is to order the book at pre-publication price (£95 in cloth, £235 in numbered morocco) before May 19.



The mountain bard

Islwyn, as far as PHS knows the only British poet to have a local authority named after him, is to be further commemorated on the 150th anniversary of his birth.

George Thomas, Speaker of the House of Commons, will post the first of the specially designed memorial envelopes issued by Islwyn council and read the lesson at an anniversary service at St Theodore's church, Ynysddu, on April 3. Islwyn, the borough, it centred on Blackwood in Gwent, and dominated by Mynydd Islwyn, the mountain from which the poet, the Rev William Thomas took his bardic name.

Islwyn, though not a native Welsh speaker, wrote most of his poetry in Welsh and, won four chairs at Eisteddfodau in the 1870s. His greatest work, *Yr Ystorm* ran to more than 9,000 lines, inspired by the death of his fiancée in 1853. There are plans to turn his burial place, Bell Chapel, Cwmfelenfach, into an exhibition centre.

The official press agency in the United Arab Emirates announces that the President, Shaikh Zaid bin Sultan al-Nahayan, has sent a cable of congratulations to President Hilla Limann of Ghana on his country's national day. It will not reach him. Limann was deposed in a coup on New Year's Eve.

Waxing lyrical

Romantica, a new restaurant, is lauded at a length in the *Bath Weekly Advertiser*, which reports: "Oscar (the waiter) hums arias as he serves the food. There are fat white candles for evening diners, and everything is served piping hot, with a nice Italian flourish". It sounds very nice, though the meal could be a little greasy.

PHS

TIMES PAST THE TIMES
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CAUTIOUS CONVALESCENCE

The Chancellor in his budget yesterday ran once again true to form and as he soldiered on through his fourth budget the consistent character and flavour of his Treasury stewardship became more clearly reinforced. Sir Geoffrey has never exactly radiated personal charisma. As a politician he does not generate anything approaching euphoria among his Conservative backbenchers. Comparisons inevitably arise with Lord Butler who died yesterday and who shares with Sir Geoffrey the Tory post-war record of introducing four budgets. The present Chancellor lacks the economic and social vision and the political subtlety of his distinguished predecessor. Whereas Butler was a maestro in many fields, ever sensitive to his audience and to the eddies of political mood and public opinion, Sir Geoffrey remains a solid barrister with his brief, apparently impervious to criticism or advice.

Yet his budget yesterday aroused more than a glimmer of hope that he will, if given a little more time, take a worthy place in Tory history. It remained, true to character, cautious and unimaginative. But he now gives the impression of being successfully on the course which he has chosen and courageously pursued to reduce public borrowing and create an efficient basis from which to expand economic activity without unleashing renewed inflationary pressures.

Our broad reaction to the budget is mild disappointment at the low level of expansion injected into the economy — a £1.3 billion net addition to the PSBR is at the bottom end of the range of sensible expectations — but strong approval of the wide range of measures proposed. It is right to concentrate the benefits on industry, which has carried the burden of the recession and on which our hopes of national recovery depend. The cut in National Insurance Surcharge, to-gether with the current fall in oil and raw material prices and the prospective decline in interest rates, offer our manufacturers a reduction in costs as the basis for non-inflationary expansion. The incentives to small business and to employee participation, like the encouragement to the beleagured construction industry, are small in scale but certainly in the right direction. There are still no great hopes for Britain's three million unemployed to find jobs. But we are nearer to testing the basic thesis of the Chancellor and the Prime Minister that unemployment will come down permanently only in a low inflation economy.

On the monetary front the Chancellor had a mixed but not displeasing story to tell. Following the previous year's disastrous overshoot on the Public Sector Borrowing Requirement (PSBR), he appears this year to be spot on target. For the future he promises further falls which point to lower interest rates. He has, however, sensibly allowed a little loosening in the previous target for this coming year. He has made much more significant adjustments to the money supply targets, where experience continues to suggest that Sterling M3 is an unsuitable signpost. By slipping back to an 8-12 per cent range and by stressing the importance of nearly every other indicator in the book, Sir Geoffrey may be sliding discreetly and prudently from doctrinaire to pragmatic monetarism — a position for some time occupied by his Prime Minister. This relaxation leaves room for an increase in economic activity, and especially of investment, in the coming year without forcing interest rates up and hence stifling any economic revival at birth.

For many in the Conservative Party this budget will probably be judged ultimately as much for its political impact as for the long list of worthy, if minor, reforms it contains. Despite passing flirtations with Scottish interests, most noticeably and reprehensibly in its discrimination in favour of alcoholic spirits, the budget quite properly does little of significance to bribe the electorate of Hillhead. Nor does it really meet the more ambitious hopes for expansion of Tory "wets" — though its concern for the disabled and the beneficence to pensioners and those on unemployment benefits, together with the already visible discipline of a looming general election, will surely bind the vast majority of them behind the Chancellor.

As for the general election, this is clearly not, and not intended to be an election-winning budget. It shrewdly helps a large number of people in little ways, but overall it leaves the economy still well short of rejuvenation. As such it squeezes Mrs Thatcher's election timing: it is hard to see how sufficient recovery can have taken place to make the autumn of 1983 an obviously attractive time to go to the country. But it does put the Government in a position from which it could, aided by more expansionary budgets this autumn and next year, be in with a chance in 1984. Whether or not Sir Geoffrey is the man to take the Government successfully through that final phase is for Mrs Thatcher to judge; but he has this week earned her healthy respect.

PRESIDENT AND PARLIAMENT

The premature disclosure of the intention to invite President Reagan to address members of both Houses of Parliament in Westminster Hall is most unfortunate, and it is to be hoped that the Labour Shadow Cabinet will have the good sense at its meeting today not to make an embarrassing situation even worse. It is obviously wrong for the Leader of the Opposition to hear for the first time of such an invitation on the radio. But it is equally clear that informal soundings have to be taken in preparing for the visit of a distinguished foreign leader, and it was the fault of the American administration not of the British Government that these were made public before the appropriate consultations could be completed at this end.

It would be absurd for this blunder, regrettable though it is, to affect the nature of the reception given to the President. Mr Reagan is being invited to address the members of both Houses, not to speak to Parliament itself. The occasion will not therefore be part of the proceedings of Parliament. There will be no need for a formal vote to be taken in either House in order to invite the President; though a sense of what is seemly for the head of state of a friendly country and Britain's principal ally does require that he should be welcomed by the Opposition as well as by the Government.

Such a welcome does not have to imply approval of his policies. There have been a number of occasions in the postwar years when foreign leaders have addressed the members of both Houses of Parliament. The most memorable occasion was when President de Gaulle did so in Westminster Hall in the spring of 1960. But a good many others have done so in the Royal Gallery, including Presidents Auriol and Giscard d'Estaing of France, President Saragat of Italy, Chancellor Brandt of West Germany and U Thant, as secretary-general of the United Nations. Those 800 ministers, MPs and peers who accorded the courtesy of a warm reception to Mr Kosygin in 1967, as he entered the Royal Gallery at the head of a small procession flanked by the Lord Chancellor and the Speaker, were not proclaiming their approval of Soviet foreign policy or their conversion to international Communism.

These occasions have varied in dignity and solemnity, and it seems that Mr Reagan's address is intended to be at the more majestic end of the spectrum. That would be fitting for the President of the United States at a time when the Atlantic alliance is under more strain than at any time since the formation of Nato. The threat comes not so much from external threat as from internal dissension, and a principal cause of that dissension has been the failure of communication within the alliance. The effective leader of the alliance is the President of the United States. If he fails to communicate adequately there will be no confidence. He ought to be given every opportunity to do so. Then let there be the full discussion and argument over what he says that is the characteristic of free political systems everywhere.

Enduring architecture

From Mr J. A. Wells-Thorpe

Sir, That two historians have spoken out against the Mies van der Rohe design for the redevelopment next to the Mansion House (*The Times*, February 25) is not altogether surprising, but what is surprising is the superficiality of the reasons advanced.

John Harris is said to have condemned the proposal as "architecturally old hat" as if transient modishness was the main criterion, and equally as if "post modernism" had had time to settle down into something resembling a satisfactory alternative style.

In the meantime, Marcus Binney is reported as saying "the design will be 30 years old by the time it is actually built". As a distinguished historian he would know better than most that if the time spent between design and execution were to be the guide of acceptability, our rich architectural heritage would be decimated beyond recognition. Liverpool Anglican Cathedral was designed at the turn of the century and is still unfinished, but who would deny its proven architectural significance today?

As for how a Mies van der Rohe building appears a quarter of a century later, Manhattan's Seagram Building, mentioned by your correspondent, speaks for itself and is as enthralling to see now as it was the day it was opened.

Yours faithfully,
JOHN WELLS-THORPE,
Commonwealth Association of Architects,
The Building Centre,
26 Store Street, WC1.
February 25.

Lead in petrol

From Mr K. D. Collins, MEP for Strathclyde East (Labour)

Sir, I write with reference to your editorial, "Nor lead, nor poison", of February 25, in which you state that the European Parliament will debate a motion on lead-free petrol during March.

Presumably you refer to the motion for resolution tabled by Mr Johnson. However, before this can properly be debated it has to be discussed in committee and a report has to be prepared. Given the problems of translation and printing it is unlikely that such a report will appear in committee until May at the very earliest and the pressure on the plenary timetable is likely to mean that a full parliamentary debate cannot be held until well into the summer.

However, the present state of informed opinion on the matter is such that I personally do not see this as a disadvantage because I believe that if we are to convince our colleagues of the arguments in favour of lead-free petrol, then time is certainly needed to allow the scientific evidence to be properly evaluated and a proper and reliable basis for a decision established.

However, just as it was action by the Commission in the past which helped to push the British Government to adopt lower limits more quickly, so it is likely that this action at European level will have a useful effect on United Kingdom practice.

Yours faithfully,
KEN COLLINS,
Chairman,
European Parliament Committee on the Environment, Public Health and Consumer Protection,
11 Stuarton Park,
East Kilbride.
March 2.

Child offenders

From Mr Martin Wright

Sir, The clause in the Criminal Justice Bill giving courts power to remove from home childrem who re-offend is based on misconceptions. Those who work with young people, as opposed to pontificating about them from the benches of courtrooms or Parliament, know that young offenders are seldom "cured" by sending them to institutions. This approach, and the equally misconceived fines on parents, conveniently divert attention from (for example) the substandard of ill-designed housing which gives many parents an impossible task in bringing up their children well, or the lack of employment and other incentives to law-abiding behaviour.

The provision allowing fostering as an alternative, and the new supervised activity order which is to supersede the misnamed and misunderstood "intermediate treatment", could mitigate the damaging effects of the Bill. But local authorities, like individuals, respond to incentives and the Bill actually endourages them to uproot children from home and community by sending them to "community homes."

Already local authorities which fail to satisfy the courts that they will provide adequate non-custodial supervision know that the courts will often get the children out of their hair, temporarily, by sending them to (centrally funded) detention centres or borstals. Now the Government proposes to make £6m available to send away some of the others as well. Meanwhile the supervised activity schemes will have to compete for funds with the elderly, the disabled and other calls on social services' budgets.

Even if the clause itself cannot still be defeated, there is time to remove the financial anomaly. The £6m should be made available for use on either residential care or supervision in the community. Since the latter is almost always less costly, this would provide an incentive to devolop the more constructive option.

Yours sincerely,
MARTIN WRIGHT,
107 Palace Road, SW2.
March 4.

LETTERS TO THE EDITOR

Implications of Laker collapse

From the Chairman of British Caledonian Airways

Sir, It is ironic that in the aftermath of the collapse of Laker Airways not only is one of the most serious consequences not appreciated by the public, but the Civil Aviation Authority, and the relevant government department, the Department of Trade, steadfastly refuse to accept that it exists.

The UK/USA treaty of air services provides for two British and two United States airlines to operate non-stop services on the important London/Los Angeles route. In addition a number of other United States airlines operate from Los Angeles to London via other points in the United States.

The demise of Laker means an immediate loss of about a half of the British share of the market, a loss which, despite any strenuous efforts the remaining British airline, British Airways, may make is bound to mean the two United States airlines together taking a much larger share of the market. Once that situation has been established it will be exceedingly difficult to redress the balance. Unless urgent action is taken to enable another British airline to serve the route, the prospects are that not only will the second British airline be stalled until the spring of 1983 (the winter being no time to start), but the depredations of the British market share and balance of payments achievement may take years to overcome. This is a dangerous situation for our air transport industry, but it is also one which has wide national connotations and must be seen in that light.

As the only British airline able and willing to introduce a service to Los Angeles within a matter of weeks, BCAL naturally has self-interest in seeing the disappearance of Laker remedied without delay. Not only have we sought approval of the CAA through the normal licensing channels, but we asked, in view of the urgency, to be allowed to operate for a temporary period of six months whilst licensing processes take their course. However, the CAA has flatly refused.

Furthermore, our understanding is that the Government is disinclined to take any initiative. Clearly there are limits to what an individual airline, bound by the provisions of an Act of Parliament and a statutory body's interpretation of that Act, can do on its own.

Accordingly it is as much in sorrow as in anger that I seek the hospitality of your columns to draw attention to the consequences of this inertia, which can only further damage our national economy which is already under considerable stress.

Yours faithfully,
ADAM THOMSON, Chairman,
British Caledonian Airways,
Gatwick.

High interest rates

From Professor H. W. Singer

Sir, You report Professor Sir Douglas Hague (Business News, March 4) as stating that the developed countries "cannot operate for long at tolerable rates of unemployment with real interest rates (after allowing for inflation) much above zero."

Professor Hague fails however to mention the important international dimension of this particular problem. This is the burden which the high interest rates impose on the poorer developing countries which, in view of their tremendous debt burden, drain their foreign export earnings and prevent them from importing from us, thus relieving our own unemployment.

The oil-importing developing countries owe some $200bn to the commercial banks alone — thus any 1 per cent increase in interest rates drains $2bn of their resources which could have created jobs in the industrial countries. This international effect is additional to the impact that our own domestic unemployment has on the export earnings of developing countries; it has already resulted in rapidly falling prices for their primary commodities as well as reduced export volumes.

In an interdependent world, these international repercussions greatly intensify the damage which high interest rates do to our own employment, and this should greatly add to the worries expressed by Professor Hague.

Yours faithfully,
H. W. SINGER,
The Institute of Development Studies,
University of Sussex,
Brighton.
March 5.

Not cricket

From the Reverend D. J. Pitcher

Sir, Having been in India for much of the time of England's cricket tour there, and being able to learn a little about Indian society, I read this morning's correspondence to you comparing India and South Africa with interest.

Indian law requires that equal opportunities for education and for employment be open to members of all parts of Indian society. The fact that there is an enormous task to be done before such opportunities are effectively available throughout the country does not alter the fact that the law of the land requires and encourages progress towards such equality.

I believe this is in strong contrast to the laws which govern South Africa.

Yours faithfully,
D. J. PITCHER,
The Rectory,
Framlingham,
Woodbridge,
Suffolk.
March 4.

Taking a pride in National Service

From Lieutenant-Colonel A. R. Wythe

Sir, For Dr Neville-Smith, in his letter of March 6, to state that National Service turned men into column-dodging petty criminals is grotesque, and there is a bitterness about his letter I find strange.

If a period in its history had to be chosen as its most difficult, 1947 to 1949 for the British Army could fit. it was running down after a great war, yet still on operations and having to serve in many parts of the world. It was trying to recruit its regular cadre from a battered and exhausted population sick of war, and at the same time having to train a vast National Service element. Those of us, officers, warrant officers, and ncos, who served in those years can justly marvel that we kept the finest Army in the world in being at all.

Without doubt, there were flaws in the system, and until it settled down the flaws were serious. But it did settle down, with results of which Britain can be proud. National Servicemen served in Aden, Kenya, Cyprus, Korea, and Palestine, and many other places where fighting and stress had to be endured. As to their quality, let me quote the following only.

In Malaya, during the emergency, I heard Colonel (as he then was) Mike Calvert state to my CO that in his opinion the National Serviceman was as good a soldier as any he had served with. I heard Gurkhas, superb professionals as they were and are, unreservedly praise our National Servicemen.

In Cyprus, during the troubles, I heard my Brigade Commander state he could never detect any difference between Regular and National Serviceman, and nor, of course, could anyone else. Both were as tough, resilient, resourceful, humorous, bloody-minded and difficult to handle as British troops always have been. Magnificent soldiers, of course. That's why we are a free people.

The vast majority of men who passed through the system will state they are glad they did and, if you can take them unawares, will even admit to pride in having done so.

Yours faithfully,
A. R. WYTHE,
135 Kirkdale, SE26.

From the Reverend John Gaskell

Sir, In your discussion of compulsory service to the community Dr Neville-Smith's letter comes as a timely reminder that there is no evidence to support the high moral tone of some advocates of revived National Service.

Most of our contemporary leaders and managers, top City men, trades unionists and politicians — like middle-aged vicars — went through the highly regarded process of instilling comradeship. It was of course nothing of the kind, and it is impossible to see any benefits from it in society today.

On the contrary, the middle-aged show little sign, as the result of their National Service "training", of any readiness to surrender their rights, hopes and aspirations, and other forms of political and economic selfishness, for the national good. When, therefore, one reflects that those who run and manage affairs have so clearly failed to give unity and opportunities of fulfilment to society one wonders if it should not be the middle-aged who should be "called up" to serve their country.

Why take it out on the young?

Yours faithfully,
JOHN GASKELL,
St Alban's Clergy House,
Brooke Street, EC1.

From Professor Roy Gregory

Sir, In the idyllic picture of National Service life painted by Lieutenant-General Sir John Cowley (March 5) "the old Etonian met the shop-floor worker on equal terms, and both received the same treatment from the sergeant-major."

Possibly they did for about eight weeks of initial training. But I wonder (a) what proportion of shop-floor workers subsequently secured commissions and left the billet for the officers' mess; and (b) what proportion of old Etonians failed to do so. Perhaps one of your readers can tell us?

For the greater part of their two years' National Service, I suspect, the relationship between most old Etonians and most shop-floor workers was marked more by a sense of discipline than comradeship. Generally speaking, the former gave the orders and the latter did what they were told, or took the consequences.

That Service life did benefit some young people is no doubt true. There may indeed be a case for a new-style "youth service", as outlined by Mr John Wyld (March 5). But to suggest that National Service in some fashion dissolved social distinctions and enhanced national solidarity is surely to see it through long-distance and rose-coloured spectacles. For the most part it represented a particularly striking manifestation of the British class system in action.

Yours faithfully,
ROY GREGORY,
Faculty of Letters and Social Sciences,
University of Reading,
Whiteknights, Reading.
March 5.

Caning in schools

From Mr Tom Scott

Sir, In your leading article (February 26) on the judgment by the European Court of Human Rights in the case of Campbell and Cosans v UK you claim that it is "piquant that the judgment ... should come in the week that a Toxteth school has been closed because of the violence of nine and 10 year olds", but omit to point out that the school concerned uses the cane. Indeed much of the violence there appears to have been precipitated by canings meted out to five boys.

There is no evidence that corporal punishment is a deterrent. There is, however, considerable evidence pointing to the fact that beating children is counter-productive. And it is significant that in the first local authority to decide to ban beating, Inner London, there has been a dramatic reduction in the number of assaults on teachers: from 62 in 1978, the year before the ILEA made its abolitionist decision, to 35 in 1981.

Finally, on the question of the practical implications of the European Court's judgment, you rightly reject as "ludicrous" the concept of formally establishing beating and non-beating schools, but claim that, although it would be "awkward" to "discriminate between parents whose children had opted for caning and children whose parents were opposed", "the problem facing the educational authorities is no different from coping with the different religious requirements in schools".

It is difficult to understand how you have reached such a conclusion. Certainly children who are excused religious education because, for example, their parents are atheists, might incur some resentment from their peers. But that would pale into insignificance in comparison with the sense of injustice that a child would feel if he or she were given a caning, whereas another pupil who had committed exactly the same offence was punished in some other way.

The fact that the Government has agreed to pay £1,200 damages in the case of Mrs X v UK suggests that even it acknowledges that the court is likely to declare before long that the actual infliction of corporal punishment is "degrading" and thus a breach of the European Convention on Human Rights.

Meanwhile, rather than have a wholly unsatisfactory system prevailing, in which there are two categories of children - those liable to, and those exempt from, corporal punishment - the Government should speedily implement the court's judgment in the only sensible way, by banning corporal punishment altogether.

Yours faithfully,
TOM SCOTT,
Education Secretary,
STOPP (The Society of Teachers Opposed to Physical Punishment),
10 Lennox Gardens,
Croydon,
Surrey.

Open government

From the Secretary of the Cabinet

Sir, Could I correct one error of fact in Bernard Donoughue's article on "open government" on February 25, since it gives renewed currency to an old misapprehension?

The Secretary of the Cabinet did not "take the publisher of the Crossman Diaries and The Sunday Times to the High Court". The Secretary of the Cabinet is not, I assure you, in the business of taking publishers, newspapers, or anyone else to court. The proceedings referred to were instituted in June, 1975, by the then Attorney General. It was for him to decide whether or not to institute proceedings, and he took his decision on his own view of the facts and considerations in the case.

Yours faithfully,
ROBERT ARMSTRONG,
Cabinet Office,
70 Whitehall, SW1.
March 4.

Namibia aims

From the Bishop of Manchester

Sir, The four members of the British Council of Churches delegation who visited Namibia recently (of whom I was one) are not surprised by your report (February 17) that the black President of the Democratic Turnhalle Alliance has resigned and taken his party with him.

We met Mr Kalangula in his office while in the war-troubled northern areas and the strain on him then was all too obvious. It was caused by the bitter opposition of white members of the DTA to any moves towards a genuinely non-racial party completely opposed to separate development and continued dependence on South Africa.

However the report of your Johannesburg Correspondent could mislead your readers into supposing that there is any real chance of Mr Kalangula's developing a serious challenge to Swapo (South West Africa People's Organization). Our impression was of overwhelming popular support for Swapo, and this not only in Ovambo areas.

Your correspondent is right to stress "the strong influence of church organisations among the Ovambos", and this is evident throughout the country. We had many opportunities of discussing the tragic situation with church leaders, and their support for Swapo's aims, while not endorsing their more violent methods, was plain. They wholly confirmed our impression of the widespread popular backing for Swapo.

The object of policy therefore should be to bring all possible pressure on South Africa to recognise this support too, to deal with Swapo, and not to stir up artificial opposition, thereby prolonging one of the most damaging conflicts in our world — a conflict causing much human suffering.

Incidentally although Mr Kalangula was ordained a deacon (not priest) in the Anglican Church there, he has since started his own church.

Yours sincerely,
STANLEY BOOTH-CLIBBORN,
Bishopscourt,
Bury New Road,
Manchester.

Opposing views of Stanley Baldwin

From Lord Baldwin of Bewdley

Sir, I imagine there will always be two views about Stanley Baldwin, whose political character and actions between the wars continue to puzzle so many commentators. What those who have studied the debates and other contemporary records of those years will find quite disingenuous is the attitude towards him of Labour MPs, as reported in your March 5 issue.

There is something that takes the breath away in the prospect of the heirs to a party which, in the 1930s, fought tooth and nail against virtually every proposed measure of rearmament, passing censure on the man who campaigned and won the crucial election in 1935 on the arms issue, having warned the country that he could not be responsible for the conduct of any Government which did not take steps to rearm - steps characterised by the left at the time as "a policy of competitive, swollen armaments", "a wicked distortion of the meaning of 'collective security'," "a vast and expensive rearmament".

When Baldwin told Attlee, who criticised in the House of Commons the "enormous increase in our defence forces", that if not given the powers he sought he would "leave it to those who think the risks are worth taking", there was no doubt in people's minds who those might be.

Have today's Labour Party forgotten this, as they bandy about the catchword "appeasement" with its undertones of shameful military weakness? That would be the charitable view. Should they also not be reminded that in Baldwin they had an opponent who was more truly sympathetic to what they stood for than probably any other party leader before or since? It was the General Secretary of the TUC who wrote to him when he assumed the premiership for the third time:

> The fact that we differ in politics has never prevented me from recognising and admiring the great capacity, common sense and above all the human qualities which have always distinguished you. There may be difficult days ahead but these will serve to bring out those virtues of your character which have endeared you to millions and which command the respect of all.

If the trade union leader from the time of the General Strike could write in these terms, what are we to make of Mr Foot's reported inability half a century later to forgive Baldwin for his actions in 1926? Was it really Mr Foot who wrote of "little men"?

May I by the way, as the possessor of many delightful cartoons of Baldwin throughout his long career, remark that the person who selected the cartoon to accompany Mr Critchley's article on February 27 probably did as much as anybody to kill off any remaining support for a statue to the man whom Churchill described after his death as "the most formidable politician I have ever known in our public life."

Yours faithfully,
BALDWIN OF BEWDLEY,
Manor Farm House,
Godstow Road,
Wolvercote,
Oxford.
March 8.

The new poor

From Dr Peter Bird

Sir, A student has just been to see me to explain his absence from a class I was teaching.

He was being interviewed for graduate recruitment by a major multinational company in London. Together with other interviewees he was put up for two days in a luxury London hotel in £50-a-night rooms. All meals were provided, and were of course of the same luxury standard. On both evenings the interviewees were entertained at the hotel bar, all drinks being provided without limit throughout the evening. Throughout the year several hundred graduates apparently are treated by the company in the same way.

When my student was away, I was at a seminar here with a distinguished visiting professor from another British university. Before the seminar he was entertained to lunch by members of our department, each of whom had to pay for his or her meal from their own pocket; after the seminar we saved a taxi fare by encouraging him to wait for a bus to the railway station. Our offices at the university are heated only to the legal minimum of 60.8°F; another economy is to provide our lavatories with shiny rather than soft tissue.

Government spokesmen tell us that the cuts in university finance are to allow the private sector to create wealth. Can your readers share the joke with me? My laughter is too great for me to control alone.

Yours sincerely,
PETER BIRD,
Department of Economics,
University of Stirling,
Stirling.
March 4.

In other words

From Mr George Stern

Sir, Just before the orgy of hysterical moderation about the speech of Mr Pat Wall (report, March 8) commences, may I point out that his programme of dismissing the Queen, House of Lords, senior officials and judges has been carried out, often several times over, in every major European country and they do not appear to have been less successful socially or economically than Britain.

Yours faithfully,
GEORGE STERN,
6 Eton Court,
Shepherds Hill, N6.
March 8.



COURT AND SOCIAL

COURT CIRCULAR

BUCKINGHAM PALACE
March 9: The Queen held an Investiture at Buckingham Palace this morning.

The Right Hon. Margaret Thatcher, M.P. (Prime Minister and First Lord of the Treasury) had an audience of Her Majesty this evening.

The Prince of Wales, attended by the Hon. Edward Adeane, this evening dined with the Thomson Organisation at Thomson House, Stratford Place, London, W.1.

The Princess Anne, Mrs Mark Phillips and Captain Mark Phillips this evening attended the Livery Banquet of the Worshipful Company of Carmen at the Mansion House.

Her Royal Highness and Captain Mark Phillips were received upon arrival by the Right Hon. the Lord Mayor (Sir Christopher Leaver) and the Master of the Worshipful Company of Carmen (Mr John Wells).

Miss Victoria Legge-Bourke was in attendance.

Lady Susan Hussey has succeeded the Hon. Mary Morrison as Lady in Waiting to The Queen.

CLARENCE HOUSE
March 9: Queen Elizabeth The Queen Mother was present this evening at a performance of "Underneath the Arches" at the Prince of Wales Theatre in aid of the Bud Flanagan Leukaemia Fund.

Ruth, Lady Fermoy and Sir Martin Gilliat were in attendance.

Ruth, Lady Fermoy has succeeded Lady Elizabeth Basset as Lady-in-Waiting to Her Majesty.

KENSINGTON PALACE
March 9: The Princess Margaret, Countess of Snowdon, Colonel-in-Chief The Princess Louise Fusiliers, today received Lieutenant-Colonel R. W. Chisholm, Commanding Officer of the Regiment.

KENSINGTON PALACE
March 9: Princess Alice Duchess of Gloucester was present this evening at a Concert given by The Commonwealth Philharmonic Orchestra in aid of the Save The Children Fund Polish Appeal, at The Royal Albert Hall, London. Miss Jean Maxwell-Scott was in attendance.

Prince Edward is 18 today.

A service of thanksgiving for the life of Sir Christopher Southcote Aston will be held in the Queen's Chapel of the Savoy on Thursday, March 11, at noon.



Steve Ovett, the Olympic athlete, with his wife yesterday, after receiving the insignia of the MBE at Buckingham Palace.

Forthcoming marriages

Lord Hacking and Dr T. M. Hunt
The engagement is announced between David, elder son of the late Lord Hacking and of Daphne Lady Hacking, and Tessa, elder daughter of Mr and Mrs Roland Hunt of Spindlewood, Whitchurch Hill, Reading, RG8 7PC.

Mr C. J. Peacock and Miss T. F. M. Bird
The forthcoming marriage is announced between Christopher, son of Mr and Mrs A. J. Peacock, of Alfriston, Sussex, and Tessa, younger daughter of Mr John Bird, of Ingatestone, Essex, and Mrs E. M. Bird, of Blackmore, Essex.

Mr M. R. W. Hurley and Miss F. J. Lenton
The engagement is announced between Mark, only son of Mr and Mrs J. R. Hurley, of Moorcroft, Grange Road, Saltford, Avon, and Fiona, only daughter of Mr and Mrs G. N. Lenton, of Medway Drive, Keynsham, Avon.

Mr P. Griffin and Miss J. M. Turner
The engagement is announced between Paul, eldest son of Mr and Mrs R. S. Griffin, of Cranford, Humberston, Lincolnshire, and Janet Mary, only daughter of Mr and Mrs C. S. Turner, of Brockdene, Buckinghamshire.

Mr P. Routley and Miss M. A. Bratt
The engagement is announced between Patrick, younger son of the Rev Dr Erik and Mrs Routley, of Princeton, New Jersey, and Melanie, only daughter of Mrs Philip Marshall, of Richmond, Surrey, and the late Mr John S. Bratt.

Mr J. E. Thornton and Miss A. C. Matthey
The engagement is announced between James, elder son of Mr and Mrs E. M. Thornton, of Canford Cliffs, Bournemouth, Dorset, and Amanda, younger daughter of Mr and Mrs P. G. F. Matthey, of Snowshill House, Fifield, Burford, Oxfordshire.

Marriage

Mr M. Bilmes and Mrs M. M. Darley
The marriage took place quietly in Richmond upon Thames on Wednesday, March 3, between Mr Maurice Bilmes and Mrs Margaret Mary (Molly) Darley.

University news

Cambridge
Election.
Prof T. Reff, professor of art history, Columbia University, New York, elected Slade Professor of Fine Art for 1982-83.
Awards.
The Battle scholarship, a Henry Arthur Thomas prize and the Hallam prize in 1982: A Makower, Trinity College.
Members' classical reading prize for Greek for 1981-82: A Makower and P. N. Singer, aeq.
Prince Consort prize and Seeley medal 1982, J. T. Gilmore, MA, Sidney Sussex College.
John Stewart of Rannoch scholarship in Greek and Latin and an annual book prize of £20 P. N. Singer.
John Stewart of Rannoch scholarship in sacred music 1982: D. J. Briggs and M. J. Cooke, aeq, both of King's College.

Special Forces Club

The annual general meeting of the Special Forces Club will be held in the 21st S A S Drill Hall D. Block, Duke of York's Headquarters, King's Road, Chelsea, SW3, on Thursday, April, 22nd 1982, at 6.30 pm.

Luncheon

HM Government
Mr Richard Luce, Minister of State for Foreign and Commonwealth Affairs, was host yesterday at a luncheon given at Lancaster House in honour of Señor Don Luis Percovich, President of the Chamber of Deputies of Peru.

Dinners

Carmen's Company
Princess Anne, Mrs Mark Phillips, and Captain Mark Phillips were present at the annual dinner of the Carmen's Company held last night at Mansion House. The Lord Mayor and Lady Mayoress, accompanied by the Sheriffs and their escorts, were the guests of honour. The speakers were Mr J. P. Wells, Master, the Lord Mayor, Lieutenant-Colonel F. E. Coxhead, Mr C. A. Hart, Senior Warden, and Sir Peter Masefield.

National Liberal Club
Officers of the National Liberal Club gave a dinner last night in honour of their chairman, Sir Leonard Smith. Lord Banks, president of the club, presided and Mr John Pardoe also spoke. Those present included Lord Gladwyn, Lord Beaumont of Whitley and Mr David Steel, leader of the Liberal Party.

Royal Aeronautical Society
Mr J. T. Stamper, president of the Royal Aeronautical Society, and Mrs Stamper gave a dinner last night at the society after the inaugural Sir James Martin Lecture, which was given by Wing Commander John Jewell. Among those present were: Lady (James) Martin with Mr and Mrs C D Lowery, Mr and Mrs D Head, Mrs Jean Burrell, Mr and Mrs Denis Burrell and Mr and Mrs B Hall; Lord Kings Norton, Air Chief Marshal Sir Harry Broadhurst, Captain and Mrs E M Brown, Mr W A Hearne, Mr D A Head, Mr T H Kerr (director, Royal Aircraft Establishment), Commodore P Casdagli, Squadron Leader J S Fifield, Mr W Feaver, Air Commodore P Howard (commandant, Institute of Aviation Medicine), Mr C Cassell, the American Defence and Naval Attaché, the French Air Attaché, the Master of the Guild of Air Pilots and Air Navigators, Air Commodore D Leech and Mr B Lynch.

Service reception

Royal Ordnance Corps
Major-General J. Brown, Director General of Ordnance Services, and senior officers of the Royal Army Ordnance Corps gave a reception yesterday evening in honour of the Lord Mayor of London, in the Tower of London.

Shrewsbury School

Butler Scholarships: S. Christmas (Packwood Haugh); J. W. B. Bates (Prestfelde); J. Yarnell-Davies (Kingsland Grange); J. G. Miall (Prestfelde).
Kennedy Scholarships: P. J. Blakesley (S. Anselm's); J. D. Mitchell (Packwood Haugh); D. E. Brown (Yarlet Hall and Shrewsbury School); R. A. Clover (Packwood Haugh).
Moss Scholarships: T. G. Slocock (Pilgrim's School, Winchester); B. S. Edwards (Arnold House); C. P. Anderson (Packwood Haugh); A. J. Monk (Malsis); A. P. Capper (Yarlet Hall).
Allington Exhibition: C. G. Duff (Malsis).
Music Scholarships: 1st A. M. Clarke (Malsis); 2nd P. C. Craig (Lichfield Cathedral School); 3rd equal D. G. L. Collins (Chetham's School of Music, Manchester); and C. E. Tudor (Kingsland Grange and Shrewsbury School).

Latest appointments

Latest appointments include:
Mr S Springer and Mr J Bell to be members of the Employment Appeal Tribunal from March 12.
Mr Richard Cooke, assistant chorus master of the London Symphony Chorus, to be conductor of the London Philharmonic Choir in succession to Mr John Alldis.

A trace of Lutyens in the inner city

By Charles McKean, Architecture Correspondent

Those who have been seduced by the view that all modern architecture and all council estates are hideous and antisocial should visit the new housing development at Aberdeen Park, Islington, north London. To hold those views and not to study what has been achieved there would be to admit that they were founded on pure prejudice.

Sometimes the quality of new developments achieves a standard which staggers even those who support the general idea of modern architecture achieving social aims. The Aberdeen Park estate lies to the east of Highbury Fields in a poor, inner-London borough whose legacy of Georgian buildings has led to a widespread view that nothing else there is acceptable.

A comparison between this new development and some of the threadbare, cramped and treeless streets in Barnsbury demonstrates the extent to which good modern design can triumph against all the odds. These odds include prejudice, cost control, high density and standards which some European countries would be embarrassed to impose on new construction.

The scheme is a combination of Victorian villas, retained at the request of the architects, Darbourne and Darke, and new terrace houses and flats, totalling 79 dwellings in all. All families are housed at ground level with their own private garden, and the scheme as a whole envelopes a large open garden with the retention of some fine trees.

It is quite easily identifiable as the work of Darbourne and Darke who, since their competition winning scheme at Lillington Gardens, Westminster, in the early 1960s, have consistently developed an architectural approach that has been in advance of the general standards of the time.

The clearest sign of that approach is the very Englishness of the design, which includes traces of Tudor gardens and Lutyens ideas; brick retaining walls and paved paths; changes in levels with great, angled, flights of steps; and the flat central garden designed like the paddock fronting a manor house. The scheme is also the most developed example of the architects' house design, with some very clear similarities with Mr Geoffrey Darke's own house in Richmond.

The houses are slender, brick terraced, some projecting and some set back. They have pitched, slate roofs, balconies, porches and sometimes bay windows. One house is distinguished from the next by that London trick of the projecting party wall. The windows are capped by shallow brick arches, and their proportions are satisfyingly vertical.

In other words, some of the vocabulary of Georgian buildings has been used but in a modern way, and in a scheme of a complexity, density, and level of servicing with which Georgian architects never had to deal.

A primary design aim of the project was to enhance the arcadian nature of Aberdeen Park. The resulting creation has a quality which, were one to listen to current fashion, one would never associate with an inner-city council house development.

Screen fetches £9,180

The screen section of Christie's sale yesterday, which also included Japanese prints, paintings and illustrated books, drew most attention with two rare examples from the sixteenth or early seventeenth century.

A very good six-leaf screen decorated with open and closed fans scattered on a gold cloud background, which the auctioneers had catalogued as Momoyama-early Edo, realized £9,180 (estimated £6,000 to £8,000) from a private collector living in Greece.

Another six-leaf example, although slightly earlier but in poor condition, failed to find a buyer at £8,000 (estimate £10,000 to £15,000). Decorated with various kosode (robes) of different designs on racks, it was the main failure in a sale that totalled £81,055, with 18 per cent bought in.

Screens of more recent dates, however, readily found buyers, with Deydier, the French dealer, paying £7,020 (£11,000 to £15,000) for a two-leaf early-nineteenth-century example; the same buyer paid £4,860 (£5,000 to £6,000) for a six-leaf, eighteenth-century example depicting cranes on a rock by Bamboo trees in a stream.

Prices for Japanese prints were steady and underlined the trend in recent months. An example by Hiroshige, known as the Sudden Shower at Atake, from the series of 100 famous views of Edo and dating from 1856 to 1858, realized £5,400 (£2,500 to £3,000) to Sawers, the London dealer.

Latest wills

Mr Cyril Edward GOURLEY, VC, of Haslemere, Surrey, who won the Victoria Cross as a sergeant in charge of a section of howitzers at the Battle of Cambrai in the First World War, left estate valued at £508,898 net.

Other estates include (net, before tax paid):

Davison, Mrs Olive Annie, of Snainton, North Yorkshire £231,095

Dollar, Mr Archibald Thomas John, of Wilton, Wiltshire, vulcanolologist £179,308

£1,000 Premium Bond prizewinners

The £1,000 winners in the March Premium Bonds draw are:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Birthdays today




Sir Charles Groves, the conductor, who is 67.

Sir Robert Bellinger, 72; Air Chief Marshal Sir Brian Burnett, 69; Mr Fou Ts'Ong, 48; Sir Samuel Goldman, 70; Sir Charles Hardie, 72; Sir Michael Havers, QC, MP, 59; Mr Terry Holmes, 25; Mr Hugh Johnson, 43; Vice-Admiral Sir Geoffrey Robson, 80; Sir Lionel Thompson, 89; Dame Eva Turner, 90; Lord Wakefield of Kendal, 84.

OBITUARY

LORD BUTLER OF SAFFRON WALDEN

Exemplar of the liberal wing of modern Conservatism

Lord Butler of Saffron Walden, KG, PC, CH, whose death at the age of 79 is recorded elsewhere, was one of the most accomplished and influential statesmen of the century. He served as Minister of the Crown for nearly 27 years, a span exceeded only by Sir Winston Churchill, and held every senior office except the Premiership.

The scale of his political achievement was as remarkable as its range. He was the creator of the modern educational system, the key figure in the revival of postwar Conservatism, arguably the most successful Chancellor since the war and unquestionably a Home Secretary of reforming zeal. A protagonist above all else of the liberal strain in his party's philosophy, he worked with a full sense of history for the evolution of Empire into Commonwealth; contributing as a junior minister to Indian self-government and as an elder statesman to the orderly fulfilment of African aspirations.

This record was the product of a first-class intellect, shrewd judgment and high idealism. But with these qualities of mind and character there went a public ambiguity of expression that often appeared contrived and private self-criticism and self-doubt that were entirely genuine. It was these features of temperament, more than any other factor, that cost him the Conservative leadership on the two occasions it seemed within his grasp.

In 1957 his equivocal attitude to the Suez adventure was thought to compare unfavourably with the forthrightness of Mr Harold Macmillan. In 1963 he found it vulgar and distasteful to engage in a struggle for personal power by refusing to serve the then Lord Home. As he told a television interviewer in 1966, "One cannot alter one's nature". Happily that nature was resilient and the revealing volume of memoirs *The Art of the Possible*, which he published in 1971, while loaded with irony, was devoid of rancour.

Richard Austen Butler was born at Attock Serai in India on December 9, 1902, the elder son of Montagu Butler, later to be Governor of the Central Provinces. After preparatory school and Marlborough, where the nickname "Rab" caught on, he graduated from Pembroke College, Cambridge, in 1925 with double Firsts in French and History, and was at once elected to a Fellowship at Corpus Christi College.

His appetite for politics had been whetted as President of the Union and was further encouraged by the example of his uncle, Geoffrey Butler, who represented the University in Parliament and became Sir Samuel Hoare's Parliamentary Private Secretary. Marriage in 1926 to Sydney Courtauld, heiress of the great textile firm, gave him both financial security to enter public life and the stimulus of a gifted, strong-willed partner.

In the 1929 general election he was returned for the Saffron Walden division of Essex where he made his home and which remained loyal throughout his 36 years in the Commons. Sir Samuel Hoare, asked by Geoffrey Butler as a dying wish "to look after Rab", advanced his career. On becoming Secretary of State for India when the National Government was formed, Hoare made Butler his Parliamentary Private Secretary and in 1932 secured his promotion to ministerial office as Under-Secretary of State.

In this capacity Butler played a valuable part in preparing the measure which became the Government of India Act, 1935. He had, wrote Hoare, "a well-trained and imperturbable mind that could digest a mass of disjointed facts and remain clear and unconfused" — a capability much needed in helping to pilot through the Commons a Bill of 473 clauses and 16 schedules against opposition from the diehards led by Churchill. His family tradition and progressive instincts made the task congenial, and the adroitness he brought to it won him a parliamentary reputation.

It also gained him respectful admiration from Lord Halifax, whose Viceroyalty had been a landmark on the road to the 1935 Act. When Halifax became Foreign Secretary on Anthony Eden's resignation in February, 1938, he asked for Butler as his Under-Secretary of State. Being the only Foreign Office spokesman in the Commons sharpened and polished his skill as a parliamentary performer, causing David Lloyd George in a celebrated occasion to dub him "the artful dodger". But association with the controversial appeasement policies of Neville Chamberlain placed him in an opposite camp from those who were to lead the Conservative Party during the next quarter of a century.

His removal from the Foreign Office was surprisingly delayed until the summer of 1941 when Churchill offered him the Board of Education. Save for a few months in 1937-38 when he was apprenticed to Ernest Brown at the Ministry of Labour, this was Butler's first political opportunity on the domestic front and he seized it with constructive enthusiasm. Despite explicit instructions from the Prime Minister to confine himself to administration, he determined, in his own words, "to harness to the educational system the wartime urge for social reform and greater equality".

The 1944 Education Act, which will always be linked with his name, was one of the most important and far-reaching reform measures in our time. Butler's principal contribution lay in the new and hard-won religious "settlement", establishing a framework within which Church schools and local authority schools could continue side by side. The complex financial arrangements enabled physical reorganization of schools into primary and secondary to proceed, the concept of elementary education as an inferior kind of schooling for the poorer classes to be swept away, and a coordinated national system providing free secondary education for all to take its place.

The all-party character of the government allowed this educational measure, unlike its predecessors, to pass with a relative absence of political strife that suited the temperament of its begetter. Butler had been a member of the Cabinet's Reconstruction Committee since 1943 and was one of the small minority of Conservative Ministers to see the advantage of keeping the Coalition in being beyond the defeat of Germany. Since these views did not prevail, he exchanged in July, 1945, a short-lived role as Minister of Labour in the Caretaker government for six years in opposition as the Conservatives' principal policy maker.

In May 1947, the "Industrial Charter" was published, to be followed by a series of further "Charters" and policy statements culminating in the party's election programme for 1950 and 1951. Each of these had a composite authorship but, from his position as head of the party's Research Department to which he recruited a varied "brains trust" of younger Conservatives, Butler exerted a decisive influence on their content and expression. They gave post-war Conservatism an up-to-date but distinctive image — making plain its commitment to full employment and the Welfare State, while presenting a recognizable alternative to Socialism by "reclaiming a prominent role for individual initiative and private enterprise in the mixed and managed economy".

When the Conservatives returned to power in 1951, at the height of a balance of payments crisis, Butler was rewarded with the Exchequer, where his tenure was both long and distinguished. What he lacked in technical qualifications he more than made up for in political judgment and flair, and his conduct of affairs was marked by restoration of the public finances, a substantial easing of the burden of taxation and the freeing of the economy from an elaborate network of physical controls still surviving from war-time. By 1953 his political standing was such that, during the simultaneous illnesses of Churchill and Eden, he was the obvious choice to act as head of the government.

This was the high noon of Butler's career. In the autumn of 1954 he dramatized his confidence in ever-growing prosperity by prophesying that the British standard of living could be doubled in the next 25 years. Economic expansion, however, was soon to get out of hand and, over-estimating the effectiveness of monetary restrictions alone, Butler saw fit to give a sizable tax concession in April, 1955, the greater part of which it proved necessary to take back in October. This miscalculation profited his party, which fought and won a general election between the two budgets, but damaged his own prestige.

At the end of 1955 he was moved to the non-executive posts of Lord Privy Seal and Leader of the House of Commons. Though he excelled in the latter role, this was personally and politically the most unhappy phase of his life. The previous year Sydney Butler had died of cancer. Rab's strength and spirits were severely undermined, and in the summer of 1956 a virus infection of the brain took a further heavy toll. These strains remained evident during the Suez crisis. They heightened his often engaging disposition to be indiscreet while blunting his sensitivity to the occasions when it was more prudent to speak by the card.

Butler felt himself personally committed to the policy of "saving the Canal", in the last resort by force. At the same time he was sceptical to the point of repugnance about the manner in which it was conducted. This ambivalent position was shared by more than one of his colleagues who remained in the government, but none displayed dubieties so incautiously or found himself contending for the succession when Eden resigned in January, 1957. Macmillan was then chosen in preference primarily because a majority of the Cabinet, and probably of the parliamentary party, had seen him in this crisis as the more self-possessed figure.

In the aftermath of Suez the new government could scarcely have survived without Butler's unstinting support, and as Macmillan's second-in-command he regained much of his political form. During five years as Home Secretary a useful and imaginative programme of legislation was undertaken. The streets of London were cleared of prostitutes. Traffic wardens made their first appearance. So did betting shops. Licensing laws became more flexible. Procedures for child adoption were improved and strengthened. The administration of charities was modernized.

As between parties, the most controversial measure for which Butler took responsibility was the Commonwealth Immigrants Act, 1962, which sought to avoid the rise of racial tension by controlling entry through a system of labour permits. But his biggest fight was with elements in his own party whose calls for the restoration of the old laws on hanging and flogging he resisted, year after year, with compelling statistics and admirable fortitude. His White Paper on "Penal Practice in a Changing Society" was in line with the best modern thought and research and has been the basis for subsequent improvements.

In March, 1962, Butler took charge, along with his other duties, of a new Central African Office dealing with the affairs of the Federation created in 1953. Though not unhopeful at the outset of retaining some links between the three components units — Southern Rhodesia, Northern Rhodesia and Nyasaland — he felt deeply responsive to the rising claims of nationalism. In a situation of the utmost delicacy he secured at the Victoria Falls conference in July, 1963, the orderly dissolution of the Federation, and paved the way to the independence of Zambia and Malawi. Even those who regretted its outcome were obliged to acknowledge his consummate diplomacy.

On the eve of the Conservative annual conference at Blackpool in October, 1963, Butler, now First Secretary of State and Deputy Prime Minister, was asked to head the Government while Macmillan underwent an operation for prostatic obstruction. The conference was in full session when the Prime Minister made known his decision to resign, and furious lobbying and intrigue rent the party for more than a week. Butler staked his claim to the succession by insisting on standing in for Macmillan at the traditional rally which closed the conference. Lord Hailsham, reputedly with Macmillan's backing, announced that he too was a contender. But experience commentators had already observed before the conference ended that a compromise candidate was "emerging".

Despite an eleventh-hour revolt by several members of the Cabinet, Lord Home kissed hands as Prime Minister on October 19. It is highly likely that, had Butler then refused to accept office, many others would have done likewise and Home would have been unable to unite the party behind his leadership. But Butler could not find it in his nature to fight for personal advantage. "It seemed to me," he wrote later, "that the most unselfish way of achieving unity was to serve with a friend rather than to force the issue the other way."

He served for barely a year as Foreign Secretary, a post to which he had vainly aspired during the Macmillan government. A few months after Labour won the 1964 general election he was offered the Mastership of Trinity College, which is in the gift of the Crown and where the Prince of Wales was shortly to take up residence, and at the same time a life peerage. Thus in 1965 he returned to his roots in Cambridge, where his family had maintained a consecutive tradition as dons since the eighteenth century, and to a period he himself described as one of perfect happiness.

Butler had old and strong links with Trinity. He was often in the Lodge when his father's uncle, H. M. Butler, was Master, and his cousin, Sir James Butler, had been a Fellow since 1913. Moreover, his stepson, Christopher Courtauld, had been chaplain since 1963. Lord and Lady Butler were soon completely at home, and took a most active part in college life. The Master was, inevitably, a superb chairman of the college council; but he also presided over mass meetings of undergraduates with such skill that even the most ardent reformers felt they had a fair hearing. They also had ready access to the Master's Study, and the long hours they spent in telling him their views contributed more than anyone can estimate to the happiness of the college. Fellows and their wives were all entertained in the Lodge; and prodigious numbers of undergraduates, graduate students, and their girl friends, succumbed to the charm of Lady Butler's benevolence and wit, and enjoyed the fine rooms in which she had arranged college and family possessions with unique skill — the pictures ranging from the Master's superb French Impressionists to a remarkable collection of cartoons from his political life.

The Prince of Wales was a frequent and appreciative visitor during his three years at Trinity.

By rigorous modern standards, Lord Butler was too old to become Vice-Chancellor, but he served on the council of the Senate and presided over several important university committees, notably the Fitzwilliam Museum Syndicate, where his expert knowledge was of great value. The Master of Trinity has to retire at 70 unless he is prolonged by a majority of the Fellows; and in January, 1973, no less than 91 of the 118 Fellows came to the meeting and voted for the maximum prolongation, till 1978 — a tribute which speaks for itself.

The academic cap fitted him comfortably and he wore it with distinction both in his own university and at Sheffield and Essex of which he was Chancellor. A ready and practical sympathy for the young, a catholic but sure appreciation of what was good in modern art and genuine concern for the cultural and humanitarian causes to which he lent himself — notably as President of the Royal Society of Literature and of the National Association of Mental Health — saved him from the fate of an aloof figure-head.

Mollie Courtauld (widow of Augustine Courtauld the Polar explorer) whom he married in 1959, and who survives him with the three sons and one daughter of his first marriage, was a companion who shared his tastes and conscience, her devotion lit up his personality, gave it new warmth and animated an endearing and enduring sense of fun. No one who knew Rab well will ever forget his slightly eccentric wit and his irresistibly infectious chuckle. They were the signature tune of a very civilized man.

Television

Property laws in the land of the Azande, where a man may have 40 wives, are strictly observed. Sitting bolt upright with a gun across his knees like a latter-day Benin bronze, Chief Soro hears an adultery suit. The accused (of a single night of forbidden bliss) stand side by side, a handsome pair, each flanked by an offended partner. "Did you do it? Soro asks them in turn. "No." "Did they do it?" he asks their spouses. "Yes."

The deadlock must be broken by a chick: if it survives a dose of strychnine they are innocent. While the remanded couple put in a few days labour for the chief the poison is prepared, and then administered. Gripped between the witch doctor's toes the chick eats, rears up, drops back with its beak open.

Back in court an attendant daintily places a feather on the floor, announces the oracle's decision, and snaps back to make a British Army salute. Sentence is passed, and costs awarded: 15 days hard labour, £6 reparation, £5 to the sub-chief.

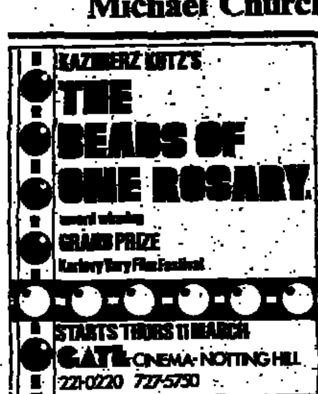
A hierarchy of oracles is consulted to solve the problem of a tribesman whose first wife is sick. To decide whether she will die, and whether her sickness is the result of the second wife's unconscious spell, termites, sacred woodblocks, and finally a succession of sacrificial chicks are called into play.

The witch doctor himself is a convivial-looking man with a tangle of feathers on his head, a sightless eye, and a handy fund of common sense. No evil spell has caused a boar-hunters's recent failures, he decrees after a diagnostic session with a skull. "Your heart is not at peace. Go and make it peaceful."

Granada's anthropological series Disappearing World has too long been off our screens, and last night's film by Andre Singer marked its triumphant return.

On Arena (BBC2) was the now celebrated Humphrey Jennings's *Listen to Britain*, a kaleidoscopic evocation of the Home Front in 1941. Beautifully made? Of course, but those of us who taped it will have done so for other reasons. (The bludgeoning foreword was routine confirmation of the average bureaucrat's contempt for art.) *Housing Problems*, by Edgar Anstey and Arthur Elton, was made in Stepney 50 years ago, but its chorus of angry voices might have been recorded in the rotting streets of Islington today.

Michael Church



The writer as film star

Warren Beatty persuaded Polish writer Jerzy Kosinski to abandon his typewriter to play Zinoviev in Beatty's film epic about the Russian Revolution, *Reds*. Joan Goodman spoke to Kosinski about Communism, and the man who sees himself as Howard Hughes . . .

This seems to be the season for famous writers to come out of the closet and admit that all along they have really wanted to be film stars. Both Norman Mailer in *Ragtime* and Sam Shepard in *Days of Heaven* and *Raggedy Man* garnered respectful reviews, but neither match Jerzy Kosinski's debut in Warren Beatty's *Reds*. As the bloodless bureaucrat Zinoviev, Kosinski makes a worthy antagonist for Beatty's John Reed, the idealistic reporter who witnessed, wrote about and committed himself to the Russian Revolution.

Their duel of wits and words dominates the second half of the film. Yet it took Beatty years to persuade Kosinski to leave his typewriter for 10 weeks of filming on location in Spain.

"Warren and I have been friends for a long time. We met in 1968 when I was staying with Roman Polanski in Beverly Hills. Warren came over and he was very properly holding a copy of *Steps* in his hand [Kosinski won the United States National Book Award for the novel, the first foreign-born writer to do so]. His first question was: 'You studied in the Soviet Union, do you know of John Reed?' I told him I did. His second question came because my wife had died that year and she was an heiress and the widow of a big industrialist. He asked: What do you know about Howard Hughes? I'm convinced Warren sees himself as Hughes."

Several years later, as the project moved slowly towards production, Beatty began pestering Kosinski in earnest. "He said to me because the first half of my life had been spent in the Soviet block, and I was trained in Marx and Lenin among people like Zinoviev, I obviously knew what it was like to be one of them — indeed if I'd stayed in the East, in all probability I'd have become a bureaucrat. But then, he said, in the second half of my life I became spiritually John Reed.



Jerzy Kosinski as Zinoviev in *Reds*

"So Warren claimed that he would give expression to my whole life in *Reds*. Well, the argument was absolutely valid. Still, I thought, maybe I shouldn't be an actor; maybe I can resolve this conflict in some other way, by writing a novel — and, in fact, that's what I did in the novel I was writing at the time, *Pinball*. Then the final argument came that I didn't *have* to play in *Reds* but I owed it to myself for the sake of the experience and I did use the experience in my writing. Again, he was right and I did use it in *Pinball*. But the clinching moment was when both Warren and the studio said I could write my own lines in the film."

"Warren saw himself as a redeemer just as John Reed did. Reed wanted to redeem the American future whereas Warren saw himself as redeeming a part of America's future which was being denied by being suppressed.

"Warren was a very supportive director and he did one brilliant thing. He hired as extras for members of Zinoviev's committee recent Soviet emigrés who had moved to Spain. They hadn't learnt foreign languages yet. They spoke only Russian. Being Soviet, they didn't like me because I was a Pole and I've lived in America for 25 years. They thought I was a very bad actor. And they regard Zinoviev in the blind way of Soviet propaganda as a Jewish cosmopolitan who, although he helped Lenin to power, was executed by Stalin in the 1930s purges probably justly. So they were open in showing their dislike of me.

"Now Warren didn't know anything about this because the tension was mostly limited to the scenes where I was sitting in their midst. I became spiritually Zinoviev, I was thrown back on my Soviet past, I felt frightened and disillusioned. And Warren Beatty/John Reed would come in with his naiveté and his sweet American smile telling me, as Reed, that he wanted to see his wife and, as Beatty, about the problems he was having with the film.

"And I, both as Zinoviev and as Kosinski, sat there saying: What do you know of the troubles of life? What do you know of authentic pain and grief and anguish? Here I sit surrounded by the kind of men you've never met in your life, men who hate my guts and you tell me about Reed's telephone call to his wife or Warren's telephone call to his studio head. The hostility transferred itself to my acting."

For all its extraordinary odyssey, Reed's life was not a patch on Jerzy Kosinski's. An abandoned child in Poland during the war, mute for part of his childhood, educated in sociology and political science at Polish and Russian universities, Kosinski arrived in America in 1957 with three dollars and 80 cents and not a word of English. Ironically, the same Cold War mentality which blotted out the memory of John Reed worked in reverse for Kosinski. He was a curiosity, a trophy of the failure of Communism. His first books, written under a pen name, attacked the Soviet system from an insider's viewpoint and met with immediate success. He married his rich widow, toured the world in luxury and became a prize-winning novelist.

At 49, Kosinski himself disclaims any ambition to act again. A fine polo player, photographer and skier, he mocks his own career with the slogan "from Poland to polo in one generation".

And did the film indeed resolve the conflict between the two halves of Kosinski's life?

"Not just the film. In the second half of my life I have been richly rewarded for the hardships of the first half. And they were notsuch terrible hardships compared with what others endured. In Polish terms, people like Roman Polanski and myself had privileged childhoods. We were fed, hidden, we didn't end up in Auschwitz. We survived. And, after the first 25 years, I've had nothing but good fortune in America. My novels have been accepted. And now, of course, the crowning achievement, to be an actor in a Hollywood epic and share the billing with Warren Beatty and Diane Keaton. What more can a man ask for? I begin to worry. Maybe they'll send me back to Eastern Europe."

Theatre

Blind dancers

Tricycle

Charles Tidler's play, on which Canada last year bestowed its Chalmer Award, is the kind of sensitive, carefully-written evocation of small-town life which goes down well over there, and then gets slaughtered by the heartless British.

Set in the postwar Middle West, it consists of two episodes in the life of Louisa, a farmer's daughter, first seen as a solitary figure in an empty landscape delivering a chicken dinner to the menfolk who remain deaf to her calls. As she stands waiting for them, she drifts into reveries of being discovered as a singing star, and also builds up an elaborate biography of her secret pregnancy, her broken marriage, and her new boyfriend. Lillian Silverstone develops all this beautifully, pulling her cheap print dress into a sheath befitting "America's Sweet Success" and singing a lullaby to her unborn child; and it is quite a let-down to discover that her supposedly pathetic private life is as much a fantasy as her showbiz dreams. Having paid attention to all that detail, you then have to wipe the slate clean.

The second act finds Louisa, two years later, as a "weekend band chick" awakening in a hotel bedroom from a heavy night with a trombone player. She is all set to leave, having had what she came for.

But the man starts showing signs of real affection, and readiness to give up his job on the fourth chair. This offer cracks her defensive hostility. Does he know, she asks, what it is to live without a talent; as she does — making a living by cleaning toilets. And the piece fades out with the fugitive creatures acknowledging that they are two of a kind.

It is not much of a story; and it is told by a man whose main concern is with words. Mr Tidler is a poet, and much of the piece is assembled more in pursuit of key images than of narrative development. In the first act, for instance, Louisa's fantasies are repeatedly brought to a halt by the memory of Nagasaki. And in the bedroom scene, Mr Tidler has to invent a chunk of wartime biography for the man so as to work round to the title image, which refers to the animated immobility of a coral reef.

My objection to the play is that it shows a writer straining every literary muscle to confer some meaning on two unremarkable lives.

However it does succeed in conveying a strong sense of time and place, and it establishes the two characters as representative of a great anonymous mass, travelling people, living between buses and hotel rooms, escaping into jazz, sex, and booze as a brief refuge from the surrounding emptiness.

Irving Wardle

The Mission

Soho Poly

Given that Heiner Mueller is a playwright of considerable weight, he is still something less ponderous than Walter Adler's production would suggest. Herr Mueller is East German, and has continued to write plays which muse on the ways of revolution and imperialism, raising controversial ambiguities by packing them densely into speeches which contain many contradictions. Herr Adler charges into *The Mission*, the play which opens the Soho Poly's season of German plays, with the West German solution to difficult plays: when any line or speech sugests an image, he stops the play to linger on his personal interpretation.

A letter from a dying revolutionary opens the play. A speech of eight sentences explains that the writer has failed in his assignment, which was to carry the French Revolution to the Caribbean. Timothy Block is encouraged to moan, shake, hesitate, sweat and strain over every word so that thespeech becomes something abstract, something that takes five minutes to utter.

In the time it takes for the letter to reach the intended recipient, France has returned to absolute rule under Napoleon. A sailor arrives to deliver the message, but because Herr Adler recognizes that France must have also returned to decadence, he provides an effeminate sailor in lipstick

His most aimless exercise ignores the text altogether, being a sequence of film clips projected to the accompaniment of Jim Morrison's 1967 song, "The End". Some of the images may have remote roots in the play: clips of Castro may have to do with Cuba; Mao may come from a mention of Asia; the Jonestown murders took place near the Caribbean. Moments of pornography could even relate to some sharpish remarks about slave-owners exploiting women, by stretching the imagination, but Herr Adler is offering his psyche and not Herr Mueller's play: the whole first half is grossly indulgent.

Yet when the production settles down to speaking, as it does after the interval, Herr Adler creates a still, calmly enclosed arena for the play's ideas. There is nothing particularly original or surprising in Herr Mueller's text, which has remote echoes of Jean Genet's considerations of imperialism and racism, but the ideas gain in force by being spoken plainly.

Ned Chaillet

Concerts

Vienna PO/Jochum

Festival Hall

Orchestras come and go in London these days, and several this year are visiting under the auspices of Royal Insurance, among them this week's visitors, the Vienna Philharmonic Orchestra, who have long enjoyed a particularly loyal following here. Under Eugen Jochum they will play Mozart and Beethoven on Thursday in the Albert Hall. Last night on South Bank they gave us a Jochum speciality, Bruckner's tremendous seventh symphony, prefacing it with Mozart's No. 33 in B flat.

The Mozart symphony, a charmer from the end of his Salzburg youth, brought the various Viennese excellences clearly into focus, notably in the Andante, played with an easy, gracious euphony and smoothness. Jochum, who is 80 this year, recognizes the touch of natural formality required in a Minuet, but is still alive to the boyish alacrity, the bluster too, of Mozart's allegros — though I would have gladly heard more detail in the middle of the texture.

There was, paradoxically, more of that inner detail to be heard in the Bruckner, whose textures reach out to grander complexity. Jochum directed a reading of impressive eloquence, nobly and scrupulously architected, even in the finale, which can easily hang fire before the coda: here the diversions, the bursts of energy, the questing for a resolution, each exercised fascination, yet sustained the continuity of the total context. The Scherzo was firmly reined, yet abundant in drive, and spaciousness in purview, the great Adagio gloriously unfolded with a moving culmination in the horns' lament for Wagner's death.

Writing from Liverpool last week, I intimated that Marek Janowski had been appointed principal conductor of the RLPO. By his special wish, he will have the title of Artistic Adviser, but not of chief conductor. My apologies.

William Mann

Stuttgart Piano Trio

St John's/Radio 3

On Saturday night the Stuttgart Piano Trio are giving a full-length recital at Wigmore Hall. They announced their return to England in the BBC's Monday Midday series broadcast from St John's. What with a string quartet like the Melos (also to revisit us in March) as well as this eponymous group, Stuttgart obviously cares about its chamber music.

In earlier days at Esterhazy, Haydn was too busy writing baritone trios for Prince Nicholas to have much time for piano trios. When he did eventually take the plunge, he was at the peak of his powers, as the C major trio (Hob 27), chosen by these players as yesterday's starter, made very plain. Dedicated to his pianist friend, Thérese Jansen, it first and foremost reflects the brilliance of her own keyboard technique.

Listening over the radio, I felt the balance very strongly favoured the piano, — perhaps inevitably, since that is where most the fun lies. Monika Leonhard, the group's pianist, discharged it brilliantly, with sparkling sonority to match tingling rhythms. In the darting repartee of the finale her colleagues were equally on their toes. They also gave her general support in the unpredictable, almost Mozartian storm which so suddenly threatens the sunny tranquillity of the slow movement. The finale of Haydn's A major trio (Hob 18) chosen as encore was sheer, unalloyed happiness.

Ravel's A minor trio allowed fairer shares for the violinist, Rainer Kussmaul, and cellist, Klaus Kanngieser, though again, over the radio, there was no forgetting that the composer's own instrument was the piano. Without loss of Gallic refinement, the team at once emphasized how close Ravel was born to the Spanish border: they caught the sudden surges of passion as well as the seductive languour.

Joan Chissell

Stock Exchange Prices

Index dips

ACCOUNT DAYS: Dealings Began, March 1. Dealings End, March 12. § Contango Day, March 15. Settlement Day, March 22.

§ Forward bargains are permitted on two previous days



BRITISH FUNDS

SHORTS · MEDIUMS · LONGS · UNDATED

[illegible]

COMMONWEALTH AND FOREIGN

[illegible]

LOCAL AUTHORITIES

[illegible]

DOLLAR STOCKS

[illegible]

BANKS AND DISCOUNTS

[illegible]

BREWERIES AND DISTILLERIES

[illegible]

COMMERCIAL AND INDUSTRIAL

A—B · C—E · F—H · I—L · M—N · O—S · T—Z

[illegible]

High	Low	Company	Price	Ch'ge	Gross Div pence	Yld %	P/E
35	21	Mang Bronze	28	+1	3.1	11.1	..
154	72	Marchwiel	128	• −2	9.4	7.4	7.7
145	106	Marks & Spencer	141	−2	6.8	4.1	19.2
51	33½	Marley Ltd	45	−1	3.2	7.1	12.5
37	14½	Marling Ind	33	..	1.4	4.3	23.1
50	22	Marshall T Lox	48	+1	4.0	8.3	4.3
48	21	Do A	44	..	4.0	9.0	3.9
330	178	Martin News	325	−5	13.9	4.3	7.0
270	209	Martonair	223	+2	10.9	4.9	13.0
74	48	Medminster	62	−3	5.3	8.5	6.7
250	140	Menzies J.	240	..	5.6	2.4	12.0
224	128	Metal Box	178	−4	16.5	9.3	15.6
125	100	Metal Bulletin	120	..	7.1	6.0	14.4
52¼	37¼	Metalrax	46	+1	3.1	6.8	7.5
56	39	Stakis (Reo)	56	• ..	2.3	4.1	9.5
544	374	Standard Tel	455	−7	15.0	3.2	15.2
81	45	Stanley A. G.	60	..	3.6	6.0	9.7
241	128	Steel Bros	223	..	11.4	5.1	8.5
222	154	Steetley Co	171	−2	15.0	8.8	8.3
28½	12½	Steinberg	26	..	..e	..	..
118	74	Stonehill	74	..	6.1	8.2	25.4
28	9	Stone Platt	17	..	..	..	..
33	16	Streeters	26	..	..	..	8.9
66	46	Strong & Fisher	56	−2	7.1	12.8	..
114	79	Sunlight Serv	113	−1	3.6	3.2	9.3
52	37	Sutcliffe S'man	38	..	..e	..	..
188	85½	Swire Pacific 'A'	86½	+1	..	..	..
195	140	Syltone	193	..	12.9	6.7	21.4

FINANCIAL TRUSTS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

SHIPPING

[illegible]

MINES

[illegible]

OIL

[illegible]

PROPERTY

[illegible]

RUBBER

[illegible]

TEA

High	Low	Company	Price	Ch'ge	Gross Div pence	Yld %	P/E
213	178	Assam Frontier	206	+1	14.3	6.9	
465	415	Camellia Inv	465	..	7.1	1.5	
380	230	McLeod Russel	368	..	11.8	3.2	
153	132	Do 8.4% Cnv Pf	134	−2	12.0	9.0	
295	255	Moran	292	..	7.1t	2.4	
128	93	Surmah Valley	128	..	1.4	1.1	

MISCELLANEOUS

High	Low	Company	Price	Ch'ge	Gross Div pence	Yld %	P/E
46	27½	Calcutta Elec	41	..	8.8	21.4	
34½	29	Essex Wtr 3.5%	£32½	..	500	15.4	..
34	20	Gt Nthn Tele	£34	..	150	4.4	12.8
285	150	Imp Cont Gas	171	−2	11.9	6.9	10.8
158	93	Milford Docks	142	..	0.7	0.5	..
193	122	Nesco Inv	133	..	10.0	7.5	..
35	28½	Sunderlnd Wtr	£31¼	• ..	500	16.0	..

• Ex dividend. a Ex all. b Forecast dividend. c Corrected price. e Interim payment passed. f Price at suspension. g Dividend and yield exclude a special payment. h Bid for company. k Pre-merger figures. n Forecast earnings. p Ex capital distribution. r Ex rights. s Ex scrip or share split. t Tax free. y Price adjusted for late dealings. .. No significant data.

RECENT ISSUES

	Closing Price
A and G Sec Elect 5p Ord (80a)	79
Amersham International 25p Ord (142)	191-1
Baillie Gifford Japan Trust 25p Ord (100)	73
City Site 25p Ord (55a)	30
Computer and Systems Eng 20p Ord (225)	238-2
Cussins Property Group 20p Ord (82)	85
Equipu 10p Ord (86a)	87
Exchequer 13¾% "A" 1987 (J)	£58⅞-⅛
Fleet Holdings 20p Ord	21
Good Relations Group 10p Ord (61a)	73
Hardanger Properties 10p Ord (100a)	104-1
Hayters £1 Ord (150a)	160
Moray Firth Exp	80-5
Newmarket Co(1981) Ltd $0.05 (£3.05)	255-3
Nimslo Int $0.20 Ord ($4.25a)	205-88
Owners Abroad 10p Ord (10a)	25-¼
Peek Holdings 7p Ord	13½
Saxon Oil 50p Ord (12½p paid)	40-3
Speyhawk 10p Ord (115)	137
Television South West 5p Ord	15
Treasury 3% 1987	£66⅝-⅛
Treasury 2½% Index Linked 2011 (*!)	£36¾

RIGHTS ISSUES	Latest date of renun	
First Castle Elect (30‡)		26 prem

Issue price in parentheses. * Ex dividend. † Issued by tender. ‡ Nil paid. a Unlisted securities market. b £10 paid. f fully paid. g £40 paid. h £50 paid. i £35 paid. j £20 paid. k Issued in units of sixteen shares and £5 nominal loan stock at £9 per unit.

Sterling: Spot and Forward

	Market rates (day's range) March 9	Market rates (close) March 9	1 month	3 months
New York	$1.7950-1.8200	$1.8015-1.8035	0.15-0.25c disc	0.60-0.70c disc
Montreal	$2.1775-2.2100	$2.1835-2.1855	0.40-0.50c disc	1.25-1.35c disc
Amsterdam	4.66-4.71fl	4.67-4.68fl	2-1½c prem	4½-4¼c prem
Brussels	78.70-79.40f	78.85-79.00f	2 prem-8c disc	10-20c disc
Copenhagen	14.27-14.42k	14.32-14.34k	205-275ore disc	850-980ore disc
Dublin	1.2040-1.2160p	1.2060-1.2080p	60-80p disc	175-195p disc
Frankfurt	4.25½-4.29½m	4.26½-4.27½m	1⅜-1¼pf prem	4⅛-3⅞pf prem
Lisbon	124.40-126.30e	124.80-125.10e	60-185c disc	175-385c disc
Madrid	186.50-188.70p	186.80-187.00p	35-60c disc	120-160c disc
Milan	2296-2316lr	2300-2302lr	11½-14½lr disc	38½-41½lr disc
Oslo	10.73-10.87k	10.77-10.79k	130-190ore disc	615-695c disc
Paris	10.89-10.99f	10.92-10.93f	½-1½c disc	5½-6½c disc
Stockholm	10.40-10.51k	10.43-10.45k	35 prem-25ore disc	20 prem-40ore disc
Tokyo	425-432y	427½-428½y	2.90-2.60y prem	7.40-7.65y prem
Vienna	29.80-30.15sch	29.88-29.93sch	17-14gro prem	35-28gro prem
Zurich	3.34-3.38f	3.35½-3.36½f	2⅞-2⅝c prem	5¾-5½c prem

Effective exchange rate compared to 1975, was unchanged at 90.2.

Money Market Rates

Clearing Banks Base Rate 13½%

Discount Mkt Loans%
Overnight: High 13½ Low 13½

Week Fixed: 13¼

Treasury Bills (Dis%)

Buying		Selling	
2 months	12¹³⁄₁₆	2 months	12¹¹⁄₁₆
3 months	12⅝	3 months	12½

Prime Bank Bills (Dis%) Trades (Dis%)

1 month	13⅛-13	1 month	13⅞
2 months	12⅞-12¾	2 months	13½
3 months	12⅝-12⁹⁄₃₂	3 months	13⁵⁄₁₆
6 months	12¼-12⅛	6 months	12⅞

Local Authority Bonds

1 month	14⅛-14	7 months	13⅝-13¼
2 months	14⅛-13⅞	8 months	13⅝-13¼
3 months	13⅞-13⅝	9 months	13⅝-13¼
4 months	13¾-13½	10 months	13⅝-13⅜
5 months	13⅝-13⅜	11 months	13⅝-13¼
6 months	13½-13¼	12 months	13⅝-13¼

Secondary Mkt. £CD Rates (%)

1 month	13⅝-13½	6 months	13¹⁄₁₆-12¹⁵⁄₁₆
3 months	13¼-13⅛	12 months	13¹⁄₁₆-12¹⁵⁄₁₆

Local Authority Market (%)

2 days	13⅞	3 months	13
7 days	13⅞	6 months	13
1 month	13⅝	1 year	13⅛

Interbank Market (%)

Overnight. Open 14¼ Close 25

1 week	14⅛-14⅛	6 months	13⅝-13¼
1 month	13¹³⁄₁₆-13⁹⁄₁₆	9 months	13⅝-13¼
3 months	13⅝-13½	12 months	13⅝-13¼

First Class Finance Houses (Mkt. Rate%)

3 months 13⅞-13¾ 6 months 13⅞-13¾

Finance House Base Rate 15%

Other Markets

Australia	1.6880-1.7030
Bahrein	0.6805-0.6835
Finland	8.1660-8.2160
Greece	109.55-111.55
Hongkong	10.5470-10.5870
Iran	not available
Kuwait	0.5135-0.5155
Malaysia	4.1730-4.2030
Mexico	81.00-84.00
New Zealand	2.3010-2.3210
Saudi Arabia	6.1760-6.2060
Singapore	3.8065-3.8365
South Africa	1.8170-1.8340

Dollar Spot Rates

*Ireland	1.4940-1.4955
†Canada	1.2125-1.2127
Netherlands	2.5820-2.5820
Belgium	43.79-43.82
Denmark	7.9250-7.9350
West Germany	2.3675-2.3685
Portugal	69.10-69.30
Spain	103.65-103.75
Italy	1275.75-1276.25
Norway	5.9750-5.9850
France	6.0570-6.0600
Sweden	5.7750-5.7850
Japan	237.50-237.65
Austria	16.55-16.57
Switzerland	1.8620-1.8630

* Ireland quoted in US currency.
† Canada $1 : US $0.8245-0.8247

Euro-$ Deposits

(%) calls, 12⅞-13⅞; seven days, 14⅛-14⅞; one month, 14⅛-14⅞; three months, 14⅝-14⅝; six months, 14⅝-14⅝.

Gold

Gold fixed: am, $325.50 (an ounce); pm, $328.25 close, $327.25.
Krugerrand (per coin): $330-341 (£188-189).

BUSINESS NEWS

M3 unchanged

MONEY SUPPLY (£M3)
percentage monthly increase
F M A M J J A S O N D J F M A M J J A S O N D J F
1980 1981

The Bank of England estimates that sterling M3, the broad measure of banking money, was unchanged in February. This means that the annualized rate of change since last February is 14½ per cent. Over the last three months the annualized rate of change stands at 8¼ per cent. The figures were helped by the receipt of £500m-£750m of back tax owed to the Exchequer. But bank lending to the private sector may have expanded by up to £2,000m.

Ronson may bid £1

Mr Gerald Ronson and his advisers, Barclays Merchant Bank, are believed to have agreed to offer £1 a share for Associated Communications Corporation. That would top by 10p the second bid from Mr Ronson's Heron Corporation and by 5p the bid by Mr Robert Holmes a Court, its rival Australian financier, and value ACC at £54.6m. The revised offer is likely to be announced early next week.

Wall Street continues to fall

Wall Street continued its decline yesterday as institutions sold in heavy trading. By late morning the Dow Jones average was 5.52 down at 789.95 having dropped through the important 800 level with a 11.89 fall on Monday. Analysts believe the fall will continue until there are some genuine signs of an upturn in the economy. Stockbrokers Merrill Lynch see the index levelling out around the 750 mark in May.

Prestel to get colour pictures

Plans are being completed at British Telecom's research laboratories at Martlesham Heath, near Ipswich, to launch Prestel with Pictures in London next year.

About 16 per cent of the area covered by each of the *165,000 Prestel pages will be* able to contain a coloured photographic image. The service is expected to interest estate agents, banks, security companies and users needing photographic facilities.

● The central government borrowing requirement was £78m in February. This brings *the total in the first 11 months* of this financial year to £8,144m.—compared with £12,040m in the same period of 1980-81.

Steel standstill

Steelmaking at the Ravenscraig, Scotland, plant of the British Steel Corporation remained suspended yesterday ater a strike by about 3,000 steelworkers over the introduction of a new pay and productivity scheme.

● The French offshoot of Barclays Bank is planning to set up a merchant banking subsidiary. This is to enable the bank, which last year made net profits of FrF 65m (£5.9m) to offer its customers a complete service.

● The Post Office plans to increase the price of postal orders with a face value between £2 and £10 from 26p to 30p from May 10.

Pound slips as Howe eases money target

By Business News Staff

The City cautiously welcomed what is seen as a broadly neutral Budget offering help to industry. But foreign exchange dealers were concerned at the easing of the monetary growth targets for 1982/83 and sterling took a late tumble yesterday.

The pound slipped after the Chancellors announcement of the new monetary target for 1982/83 and the Public Sector Borrowing Requirement, Bank of England support for sterling was noted by dealers late in the session when the dollar rate fell to 1.7980.

At the close the pound was 2.25 cents lower at $1.8025. Before the Budget, sterling had been under pressure because of the prospects for lower United *Kingdom* interest rates and the firm dollar.

But gains were made against Continental currencies and the Effective Exchange Index ended unchanged at 90.2.

Despite the easing of the target for monetary growth, gilt prices are expected to *show modest rises this morning*, according to dealers. Ahead of the Budget, gilts fell by up to 50p.

The £9,500m Public Sector *Borrowing Requirement for* 1982/83 was broadly in line with the gilt-markets expectations.

And although the Chancellor's *planned monetary* growth of targets of 8 per cent, to 12 per cent is three percentage points higher than aimed for in the *Medium Term Financial* Strategy, dealers no longer believe monthly figures for sterling M3 are sacrosanct and were content at Sir *Geoffrey's insistence that the* supply on money will not be allowed to run out of control.

In the Stock Market oil analysts were waiting last night for full *details of the* proposed tax structure changes and how they will be calculated for North Sea oil companies before making *any long-term judgments*.

The Petroleum Revenue Tax, up to 75 per cent from 70 per cent, was more or less as expected but the abolition of the Supplementary Petroleum Duty is seen as rather better than most in the industry had hoped.

Tobacco companies, which had been expecting a hefty increase in revenue on a packet of 20 cigarettes were mildly optimistic about the subsequent rise of only 5p from midnight on Thursday.

Breweries were also able to breath a sigh of relief. The increase of 2p on a pint, 10p on a bottle of wine and 13p on a bottle of sherry was in line with most expectations and is unlikely to further hit beer sales generally which showed a 17 per cent downturn in January.

Gold fell by another $1.25 to a middle price of $325.25 an ounce in London yesterday amid fairly quiet trading.

The most significant measure likely to affect the property sector will be the more allowing individuals to *hold index-linked gilts where* a real rate of return of 3 per cent compares with prime property yields as low as 3.5 per cent.

This could increase yields on property and in turn affect the sector, but this offset by interest rate hopes, which will provide a boost to the volume housebuilders.

Slump hits payout for first time since 1944

De Beers cuts dividend by half

By Michael Prest

Hit by a slump in profits, De Beers, the South African diamond company, has cut its dividend for the first time since 1944. Pretax profits for 1981 fell to Rand 489m (£272m) from R978m). The final dividend has been halved to 25 cents, making a payout for the full year of 50 cents. Earnings per share were 175 cents compared with 227 cents.

As a result De Beers share price fell sharply on stock markets around the world. After opening at $5.30, the price fell to as low as $4.20 once the profits were known. The shares recovered a little in later trading, but De Beers-related companies, Minorco and Anglo American, also saw their shares under selling pressure.

The key to De Beers unexpectedly bad results is a weak diamond market, depressed by the international recession and high interest rates. The story is told by the company's diamond account, which effectivelyshows trading profits from all diamond business. The diamond account declined steeply to R360 from R803m.

Through the central selling organization which it controls De Beers, whose chairman is Mr Harry Oppenheimer, handles about 80 per cent of the *world diamond market*, including sales by the Soviet Union.

But the price of investment grade stones is much lower *now than two years ago. The* favourite one carat D flawless has collapsed by about two-thirds over the last two years to $20,000.

Since the cost of mining poor stones is the same as good ones De Beers profits have suffered accordingly. The company has spent heavily to support the market by hoarding production from its own mines and by purchasing other output. The value of De Beers diamond stocks has consequently risen from R705m last year to R1,403m.

The cost of financing this *increase in stocks led to a* loan of R201m from an associated company, believed to be the mining and industrial combine of Anglo American. Only *three* years ago De Beers has more than R2,000m in cash. Over the last year cash has slipped from R552m to R224m.

But despite the initial fall in share prices and surprise at the much lower profits stock brokers felt that De Beers is unlikely to show *significantly worse results in* 1982.

Diamond traders said that while expenditure will remain depressed, falling interest rates should *halt* the decline in diamond prices.

Analysts are confident that the cash resources available to the De Beers-Anglo American group *will* enable the company to ride the current crisis.


Mr Harry Oppenheimer, grappling with the slump in profits

Comment

Exchange rates: city watches and waits

All eyes in the City will be on the *exchange* rate this morning. Whether or not one feels that the Government has opted for the most sensible path in raising its money *supply targets* to accommodate progressive economic recovery, it has clearly taken a risk too.

Presumably, it is a risk that has been careefully calculated. Perhaps, there may even be a willingness to see a small depreciation in sterling: it would give a little extra edge to the drive for export — led growth in a stagnant world economy

The way sterling reacts *should* set the tone for the gilt-edged market. If sterling shows signs of slipping, that would stand to offset the more beneficial outlook in flow of funds terms for the market.

Certainly, a prospective PSBR of £9,500m looks good news, while the raising of the money supply targets to provide an extra £2,500m of sterling M3 headroom will go some way to meet the pressures of strong private sector credit demand.

Moreover, the attempt to draw the smaller invester into the gilt market through the *derestriction of index*-linked stocks should also help the funding wagon along — though one might well ask whether this will *simply be at the expense of* National Savings sales.

There is also, of course, the question of whether overses investors will go heavily for index-linked stocks — a development that could well undo some of the monetary control benefits in this kind of funding.

What does seem clear is that, until the authorities see how sterling reacts, *they are unlikely to want to* see short — term interest rates come down too quickly.

That, however, would be all to the good. A progressive fall in interest rates this year (which does, of course, help the inflation rate, too) would be infinitely more desirable than a sudden fall followed by a period of uncertainty as to which way rates go next.

As far as industry goes, the Budget is very much in line with expectations. There are, of course, two sectors where the measures *will not get the kind of* changes, specific or general, that it was seeking.

The other is the banks. Precisely what the Chancellor's stick-waiving in their direction will mean in practice remains to be seen. But it is bound to cast a cloud and the sooner the issue receives further clarification the better.

Edwardes paves way for BL sell-offs

By Clifford Webb, Midlands Industrial Correspondent

Sir Michael Edwardes, BL Chairman, took another big *step yesterday to prepare the* state owned motor group for at least partial return to private ownership. He "killed off " his corporate car sales company, BL Europe and Overseas, and returned sales to two reorganized and independently operated car companies.

The move was to some extent foreshadowed last week when Mr Tony Ball, chairman and managing director of the sales division revealed that he would be *leaving in August*.

Although the official reason was said to be his need for a new challenge, it is already being widely suggested that his huge sales operation covering home and overseas markets was broken up.

The former light medium cars division headed by Mr Harold Musgrove is now renamed Austin Rover — in a policy of promoting product names — and will be responsible *for its own sales*. It covers all BL's range of cars except Jaguar, which also regains its own sales organization with responsibility for the key North American market.

Along with Leyland Vehicles (Truck and Bus), Land-Rover, Freight Rover (Sherpa vans), and Unipart, the two new car companies now control all the main functions affecting their own destinies. When the break up of the Europe and Overseas *Sales division is completed* and hundreds of staff transferred to one or other of the car companies BL will be left with a corporate staff of less *than 200*.

Among the new appointments yesterday was that of Mr Trevor Taylor, 44, as director of sales and marketing *for Austin Rover*. He joined the former BMC company from Ford 12 years ago.

News of the changes led to *speculation last night that Sir* Michael is preparing the way for his departure from BL ahead of time. He was thought to be leaving when his four year contract — already extended by one year — expires in October.

☐ United Kingdom car output recovered significantly last month to a four-week total of 88,000, a rise of more than 14 per cent on a year earlier, Edward Townsend writes. Taking seasonal *factors into account, however*, the February figure remained lower than the monthly output during the second half of last year.

The total for the first two months of this year at 158,000 is 11,000 higher than in the same months of last year. February commercial vehicle production increased to 22,800 from 17,400 a year ago and 17,600 in January.

Prof. Smith seeks libel damages

By Philip Robinson

Mr Mark Arnold, 23-year-old shareholder and son of a director of the family printing firm E. J. Arnold & Son, is being sued for damages by its chairman, Professor Roland Smith, who is also the £50,000 a year part-time chairman of the Harrods group, House of Fraser.

The action is over remarks made by Mr Arnold in the *Yorkshire Evening Post* in which he commented on the position of Professor Smith in relation to E. J. Arnold's losses.

Professor Smith and E. J. Arnold & Son are claiming damages for libel and/or malicious falsehood; claiming damages for slander; and seeking an injunction restraining Mr Arnold from speaking or publishing his alleged remarks.

Mr Arnold has until Saturday to decik whether to sign an undertaking that he will not speak or cause to be published such material again. The question of damages would remain open.

Professor Smith took on the £11,000 a year post as chairman of *Arnold* two years ago often a row that split the family denominated company

Unease over EEC moves on steel

By Peter Hill, Industrial Editor

European Commission officials are planning to tighten the rules on the retention of steelmaking capacity by Europe's steel companies. The move, which is still at a formative stage, could lead the Commission into conflict with national governments and their steel industries.

As part of the overall Commission-inspired strategy to stabilize the European steel industry by bringing capacity more into line with demand, *coordinating pricing* policies, implementing production quotas on key products, and supervising a phased withdrawal of all state aid, officials are now aiming to establish the extent and definition of the "reserve capacity" in the Community.

Under the restructuring *programme of the past* two years, steel industries in the EEC have closed down plant and the Commission has approved state aid towards *the cost of closures and* redundancy. But while some steelmaking capacity has been phased out completely, other facilities have been "*mothballed*".

Officials acknowledge that there are differences over interpretation of what constitutes reserve capacity between member states and their first objective will be to agree on a mutually acceptable definition.

The Commission recently completed an interim report on the provision of state aid to the steel industry for the period from February to the end of last year. *During that* period the Commission approved aid for eight restructuring schemes and one of emergency aid while three *infringements of the agreed* procedures were considered.

Last year the Commission delayed approval of the British Steel Corporation's *restructuring plans and the* provision of £730m state and to BSC while it questioned its capacity reduction proposals.

Although the government *aid was eventually approved*, it seems likely that the Commission will be seeking clarification of the extent of reserve capacity being *retained by the United* Kingdom steel industry when future proposals are considered.

British Steel has always claimed that it has gone much further in its contribution to cutting excess capacity than its European competitors.

MARKET SUMMARY

Cheer for the brewers

LONDON EXCHANGE

FT Index 560.8, down 3.3
FT Gilts 68.08, down 0.48
FT All Share 322.71, down 2.24
Bargains 25,348

Builders and brewers both showed gains after Budget changes while today is expected *to see plenty of dealing in gilts* after the relaxation in holding of index linked issues, previously reserved to pension funds.

Leading brewers showed gains of 1p to 5p after hours, with Distillers 10p better at 183p. In builders there were late gains for London Brick, Redland and Barratt Developments.

Dealing was light throughout the day after Wall Street's plunge to a 22-month low, and before the Chancellor's speech but the FT Index, which had been 8.5 down, recovered at *the* close, ending *3.3 off at 560.8*.

Gilts encountered a little profit taking, but early falls were kept to £½ on hopes of lower interest rates.

Dealers on the London floor were *furious* yesterday with the Stock Exchange, which decided *not to break the 3pm embargo on* De Beers full-year figures.

Meanwhile, as the price plunged 95p to 435p on the slashed dividend the news had already been circulating in Johannesburg for several hours and the news agencies had published the information just after midday.

Even the Glasgow market was able to relay the *news* to its London counterparts, which have been big bulls of the shares over *the last* account. An inquiry was being requested in several quarters last night.

A *fall* in the bullion price early on to a 29-month low was offset later by a small recovery to $326.25 *but gold shares saw* losses of $1.50 among the heavyweights.

Shoe manufacturer David Scott was up 3½p at 24½p after the previous day's dawn raid by brokers Hill Osborne which netted 10 per cent of the equity. The buyer remains a mystery but there are rumours that it is a textile company, not another shoe manufacturer, and one name being mentioned is Reliance Knitwear, unchanged at 28½p.

Elsewhere there were early plus signs against Hong and Shanghai Bank, *2p better at* 134p on its results, Pleasurama, up 18p to 415p after Popeshead nominees acting for Schöder Special exempt fund disclosed a 6.1 per cent holding, and Eurotherm, 13p better at 347p ahead of its annual meeting.

Greenfields Leisure recovered 1p to 23p after further consideration of the previous day's figures, when hefty losses were accompanied by encouraging news of its agreed takeover by Federated Land, 4p off at 132p.

The market remains sceptical about Nimslo International's claim that 800 3-D *cameras* a day are coming off its Dundee production line *before* its launch next *month in the* US, and the shares shed 27p to 200p but recovered to 205p.

Brengreen Holdings, the industrial cleaning group which last year won a contract to collect rubbish in Southend, shed 1½p to 46p.

Countryside Properties' shares put on 2p to 126p after Mr Alan Cherry, chairman, reported signs of an improvement in the housing market to shareholders.

Equity turnover on March 8 was £180.272m (24,654 bargains).

Gareth David

COMMODITIES

● The *International* Tin Council agreed in London yesterday to call up all remaining buffer stock contributions. The cash amount is roughly equivalent to 14,500 tonnes of tin at current prices.

● Brazil is supporting Malaysian attempts to form an association of tin producers, Senhor Sergio Bath, Brazilian ambassador to Malaysia, said yesterday.

He said that although his country was not in the forefront in the tin negotiations he could understand the concept of such an association, which could discipline the market and ensure that prices did not fluctuate wildly.

In the long run, the association would benefit not only the producers, but also consumers since the latter had to be assured of supply, he said.

● The United States Gold Commission, set up by President Reagan to study bullion's future, was reported yesterday to have rejected the idea of a return to the gold standard. The commission's report, to be presented to Congress on March 31, is believed to urge the American Government to mint gold coins to rival the South African Krugerrand and Canadian Maple Leaf coins.

TODAY

Today: UK Balance of Payments (4th qtr.) Interims: R.Green Properties. Finals: Alcan Aluminium, British Aluminium, Dewhurst Dent, Lunuva (Ceylon) Tea, Sandvik, Stag Furniture, Tube Investments, F.W.Woolworth.

OTHER EXCHANGES

Tokyo: Nikkei Dow Jones Index *7,195.80, down 52.67*
Hongkong: hang Seng Index 1,129.83 up 4.47

CURRENCIES

● The pound tumbled against a firm dollar, despite steadying intervention by the Bank of *England on expectations of lower* interest rates. New Budget targets for money supply and PSBR sparked off a late fall.

London Close
STERLING
$1.8025 down 225 points
Index 90.2 unchanged
DM4.2750
Fr.F10.9400
Yen 428.50
DOLLAR
Index 113.0 up 1.0
DM2.3680 up 280 pts
GOLD
$327.25 up 75 cents

MONEY MARKETS

Period rates were slightly firmer ahead of the Budget statement. On a forecast shortage of £1,200m, the Bank of England bought £89m of bills outright at unchanged rates and £663m for repurchase later this month by the discount houses. It also lent £260m overnight at 14 per cent.

Domestic rates:
Base rates 13½%
3-month interbank 13⅝-13¼
Euro-currency rates:
3-month dollar 14⁹⁄₁₆-14⁷⁄₁₆
3-month DM 9½-9⅜
3-month Fr F 15½-15¼

Oil stocks 'are still higher than normal'

By Johnathan Davis, Energy Correspondent

Oil companies are running *down their* stocks as fast as they can — but, it appears, not at anything like as fast a rate as ministers in the organization of Petroleum *Exporting* Countries claim. Industry sources denied yesterday Opec's accusation that the main oil companies were lowering the price of crude oil by flooding *the market* with their unwanted supplies.

An internal analysis by some of the world's largest companies shows that the industry's stocks are about 100 million barrels higher than it would normally expect at this time of year.

Ministers from more than one Opec member blamed the industry for dumping their stocks on the market, at a rate which the Iraqi oil *minister said was* as high as 4 million barrels a day. Companies denied it was this fast, although they were reluctant to make public assessments of the position.

The analysis shared that surplus industry inventories had fallen from their peak of nearly 500 million barrels by the begining of October, and 100 million barrels by the start of this year. But despite, companies' desire to *eliminate this remaining* surplus, stocks were still at about the same level today.

According to Petroleum IntelligenceWeekly, a leading industry newletter, the amount of oil stored in *tankers* at sea has fallen by 25 million barrels to around 130 million barrels below the peak last October, and implies that companies may have been more *successful* at running down stocks than they will admit. The newsletter also says that is it now a foregone conclusion that Opec's $34 a barrel pricing structure will have to be lowered.

Kuwait's Oil Ministers Shailkh Ali Khalifa al-Sabah said yesterday that both Saudi Arabia and Kuwait were committed to maintaining the official $34 ceiling.

● Statoil, the Norwegian state oil company, decided yesterday to cut the price of its North Sea crude by an average of $4 a barrel.


Shaikh Ali Khalifa: committed to $34



BUSINESS NEWS/COMPANIES AND MARKET REPORTS

Changes bring recovery hopes at Kwikfit

Buying by Ivory & Sime helps shares

Kwikfit shares bounced off the bottom yesterday. That was because one of the largest shareholders of the tyres and exhaust fitting group, Edinburgh investment trust group Ivory & Sime, announced it had bought a couple of hundred thousand more shares (Sally White writes).

The purchase coincided with the change in City sentiment; the view is that fundamental changes in the group are working their way through to a profits recovery.

On the trading level, all that snow and salt have corroded hundreds of thousands of exhaust pipes, which are going to need changing sooner rather than later.

Being Edinburgh-based, Ivory is in an excellent position as a Kwikfit watcher: its head office is there, too. Like everyone else — including Kwikfit's own management — they were shattered by the collapse of margins last summer. Profits dropped from £2.14m to £1.4m at the halfway stage. Few brokers expect more than £1.6m or so for the full year ending in February.

Kwikfit were on a wrong foot when they were caught by pressures from all sides. They had doubled the numbers of depots in 18 months (after picking up 180 in an excellent property deal from Firestone, and selling 81 on to Dunlop to cover the cost).

So they had 200 depots trading just when recession slashed demand, suppliers sold off stocks of tyres at cut-price rates to every corner garage, and expenditure on doing up the depots and advertising was high. Not the time to have a badly overstretched management team.



Mr Tom Farmer, chief executive: "The system is working."

What has happened since that disastrous period, which might have been spotted from Charlotte Square, and made them pick up shares that have come down from a high of 115p to 46p.

Ironically a ast number of developments were already in process last summer. The management was strengthened — Mr John Paget came in from Tenneco and is now a director, and Mr David Jenkins came in fron Michelin. A computer is now keeping head office in touch with stocks, sales and cash at each depot.

Marketing campaigns and staff training from the floor upwards aimed at putting over an image of quality business were started.

"Terminals went into the depots just over a week ago — and the system is working", Mr Tom Farmer, the chief executive, said yesterday. "Apart from the controls is will give us, it will also enable us to go into the fleet busoness. Our depots are all over the country and as each has a terminal we will be able to do a complete fleet management job linking straight into our customers' system."

Mr Farmer says the terminals should save £50 per depot a day. That is enough to generate earnings to help to justify the present rating and perhaps to increase the dividend.

Brokers are nervous of the thought of more expansion through acquitition. They want to see growth generated from the existiong depots. That will give them a chance to see the quality of management, rather than financial skills at property dealing.

Kwikfit say that all the management needed is now in place. There is even a special sales team set up to target on low performing depots.

There will still be a question mark over Kwikfit for a while. A large number of funds bought it as a growth stock at over 80p. Also the business of fitting tyres and exhausts has matured, with competitors ever increasing. But it is worth watching Scottish judgment.

Building for a bright future

Drake and Scull, the mechanical and construction engineers, has been staging a sharp recovery after three of four years when it seemed to going nowhere (Drew Johnston writes).

For the year to October, pretax profits rose by 65 per cent to £3.6m and Sir Monty Finneston, the company chairman says: "The current year's profit performance should be no worse."

Reports from an analysts' meeting with the company's management team last week suggests that Drakes is justifiably bullish about its future prospects.

Analysts are particularily impressed with the tight management style.

A substantial part of the business is overseas, and Drake's interests in the Middle East, Singapore and Hongkong are said to be doing well.

At home profitability improved by 40 per cent to £1.93m in the year to October 1981. One bleak spot was Sturtevant, the fan-making concern, where 1980 profits of £77,000 turned into a loss of £227,000 in 1981. Management blamed a fall in orders.

Hopes of a break-even performance this year at the subsidiary are high, after a £500,000 rationalization programme.

For the group as a whole, stockbrokers Hoare Govett are looking for profits of £4.2m off a rating of 6 and a prospective dividend yield just over 9 per cent.

The share price moved to a new high of 57p yesterday, and analysts think there is still a lot of scope for further rises.

Some commentators have warned that the dramatic revival in the share price — from 28p this time last year — could be coming to an end.

But a significant factor here could be today's Budget. Any boost to the economy is good for builders, and Drake and Scull has thrived on refurbishing contracts for council — housing where it supplies and installs heating and ventilating pipes — and in similar work for hospitals.

HK AND SHANGHAI

Profits and payout boosted

Hongkong and Shanghai Banking Corporation, whose attempt to buy Royal Bank of Scotland was blocked by the Monopolies and Mergers Commission, increased after-tax profits by 40 per cent to HK$2,000m (£188m) in 1981.

The true level of profit is unknown because the figure is struck after transfers to hidden reserves. The directors are proposing to transfer HK$200m from hidden to published reserves.

The final divident of HK$0.44 gives a total dividend for 1981 of HK$0.65. The total payment for 1981 will cost HK$996m, 38 per cent more than the previous year.

Hongkong and Shanghai expects to make higher profits in 1982 although it says that high interest rates arising from tight monetary policies and attempts to curtail public spending will inhibit economic growth in 1982. However, it expects to at least maintain the total dividend payment which would work out at HK$0.48 a share on the capital enlarged by a proposed one-for-three scrip issue.

After the blocking of its expansion plans in the United Kingdom, its American subsidiary, Marine Midland, recently announced plans to invest up to $139m in Centran Corporation, an Ohio bank, if regulatory changes allow.

SW FARMER

Fall into red

SW Farmer, the south London structural steel group, suffered a dramatic downturn in the year to December, with a pretax profit of £1m last year turning into a £34,000 loss. But the second half results showed an improvement after the first half loss of £773,000.

Sales for the year increased to £21.3m from £15.4m.

The company has tax recoverable of £36,000 and is taking a £557,000 credit on release of a deferred tax provision. As a result, the surplus after tax is £559,000 against £1.15m. The dividend has been held at 8.7p gross, which makes a total payout or 13.1p gross.

"Market conditions have never been harder but there have been some substantial breaks in the gloom", Mr Brian Farmer, chairman, said.

The company entered 1982 with its highest level of orders ever taken into a new period, most of it for this year.

Mr Farmer said the company's financial position had remained strong in spite of the uninspiring economic climate. There is a substantial bank balance and no borrowings, he said.

INTERNATIONAL



UNITED STATES

Volkskwagen of America has reduced benefits to its 4,000 salaried employees by eliminating cost-of-living adjustments for overtime, holidays and sick days.

The move follows a plunge in United States sales of Volkswagen. The company has taken a number of cost-saving steps recently including postponing plans to build a second assembly plant.

MOZAMBIQUE

Leyland Vehicles and Duple Metsec yesterday annouunced a £10m order for 210 Victory single-deck buses for Mozambique. The Victory chassis will be built at Leyland's factories in Wolverhampton and Lancashire

JAPAN

Two-day talks on United States-Japan trade disputes opened yesterday with the United States claiming Japan could reduce its soaring trade surplus with the United States by $5,000m to $10,000m (£2,750m to £5,500m) by opening up its markets to nuclear energy, electronics, computers, fertilizer, pulp, food products, cosmetics, medicine, tobacco products and medical and dental equipment.

LATEST RESULTS

Company Int or Fin	Sales £m	Profits £m	Earnings per share	Div pence	Pay date	Year's total
Ayer Hitam Tin (I)(b)	—(—)	5.46(4.86)	48(37)	50(60)	22/4	—(135)
Comben (F)	55(52.5)	4.1(5.7)	10(14.1)	1.3(1 3)	27/5	2.5(2.5)
De Beers (F)(d)	606(1,049)	489(978)	175(227)	25(50)	—	50(75)
Dixor Strand (F)	0.54(0.68)	0.066a(0.3	8a) 1.1a(7.6	a —(—)	—	—(—)
S W Farmer (F)	21.38(15.41)					
0.034a(1.0	1)—(26.14)	6.1(6.1)	1/7	9.1(9.1)		
F & C Eurotrust (I)	—(—)	0.096(0.00:	8)0.7(0.03)	—(—)	—	—(1.45)
.IK Bank (F)	—(—)	2,003c(1.4	31c)—(—)	0.44c(0.3	8c)—	0.65c(0.52c
Manganese Bronze (I)	16.5(15.8)	0.18a(0.63	a)—(—)	—(—)	—	—(2.17)
Robinson Bros (F)	11.1(11.5)	0.23(0.22)	—(—)	5(—)	—	10(10)
Woodhouse & Rixson (F)	12.9(17.0)	0.6(0.58)	5.9(4.0)	0.9(0.5)	—	1.4(1.4)

Dividends in this table are shown net of tax on pence per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross multiply the net dividend by 1.428. Profits are shown pretax and earnings are net. a=Loss. b=Figures in Malaysian dollars and sen; c=Hongkong dollars; d=Figures in S African rands and cents.

COMMODITIES

COPPER: Higher grade was steadier at the close yesterday. Afternoon.—Higher grade cash. £824-825: three months 1851-852. Sales: 4,450 tonnes. Cash standard cathodes. £820-823: three months £847-849: Sales: Nil tonnes. Morning — Higher grade cash. £820-821: three months. £847.50 £848.00. Settlement £821.00 Sales: 8.450 tonnes Cash standard cathodes. £817-818: three months. £844 50-845. Settlement. £818 00. Sales. 175 tonnes.

TIN: Standard cash. £6920-6930 a tonne: three months,£7120-7130. Sales. 1.205 tonnes. Morning.-Standard cash £7000-£7010 three months £7170-7189 Settlement. £7010. Settlement. £7010: Sales Nil tonnes. Singapore tin ex-works. $M30.35 a picul.

LEAD was steadier yesterday — Afternoon.—Cash £334-335 per tonne: three months. £344.50-345.00 Sales. 4.400 tonnes. Morning.—Cash £333-334. three months £342.50-343. Settlement £334 00 Sales 6.750 tonnes

ZINC was steady. — Afternoon. — Cash £443-443 per tonne: three months £447-448. Sales. 2.600 tonnes. Morning — Cash £442-442 50: three months £446 50-447.00. Settlement.. £442 50. Sales.. 5.400 tonnes

PLATINUM was at £175.60 ($316-50) a troy ounce.

SILVER was barely steady — Bullion market (fixing levels) — Spot. 386.05p per troy ounce (United States cents equivalent. 700.50): three months. 398.00p (724.20c). six months 409.40p (748.00c): one year. 433.60p (796.30c). London Metal Exchange. — Afternoon. — Cash. 387-389p: three months. 398.5p. Sales. 30 lots of 10.000 troy ounces each. Morning — Cash. 387 5-388p: three months. 399-399.5p Settlement. 388 0p Sales. 23 lots

ALUMINIUM closed steadier. — Afternoon — Cash. £578-579 per tonne three months. £600.50-60. Sales. 2,400 tonnes. Morning. — Cash. £575-576: three months £598-598.5. Settlement. £576.0. Sales. 4,650 tonnes

NICKEL was firm Afternoon. — Cash £3195-3200 per tonne. three months £3185-3188 Sales 510 tonnes. Morning — Cash £3155-3160: three months £3150-3155. Settlement. £3160 Sales 462 tonnes

COFFEE — ROBUSTAS (£per tonne) Mch 1518-1520. May 1347-1348: July 1260-1262. Sep 1222-1224: Nov 1215-1225. Jan 1195-1225: Mch 1180-1225. Sales 5.620 lots. including 151 options

COCOA (£per metric ton) — Mch 1192-1195: May 1167-1168. July 1184-1185. Sept 1196-1198: Dec 1213-1215: Mch 1232-1235. May 1242-1247 Sales. 2.030 lots. ICCO prices: daily (March 8). 94 09c. indicator price (March 9). 5-day average. 93.30c (US cents per lb.)

SUGAR.— The London daily price of "raws" was £5 00 lower at £149. the "whites" price was £2 00 lower at £162. Futures (£ per tonne). May 158 30-158 40. Aug 160 75-160 95. Oct 164.25-164 50: Jan 164 00-165 75: Mch 170.50-170.75. May 173.00-175.00. Aug 175.00-177.00. Sales: 4.691 lots ISA prices (March 8): daily. 11 39 c: 15-day average. 12 54 c

GRAIN. (The Baltic) WHEAT. — Canadian western red spring No. 1. 13½ unquoted US dark northern spring. No 1: 14 per cent Apl 110: May £109 75 trans-shipment east coast sellers. US hard winter 13½ per cent Mch £116 75 trans-shipment east coast quoted EEC. unquoted. English feed FOB: Mch £115.50: Apl £118: May £120 east coast sellers

MAIZE. French 1st half Mch £131 50 trans-shipment east coast seller. S. Afr white-yellow Apl / May £79 00 seller

BARLEY. English feed FOB: Mch £112.50: Apl £114. May £115.25. Oct £108 sellers east coast All cif UK unless stated

EGGS (The London Egg Exchange) — Home-produced: Generally quiet market. with No 1's becomming short in some areas.

Home-produced market prices (in £ per 120. based on trading packer/first-hand)

	Wed/Thur/Fri	Mon/Tues
1's	6.70 to 7.20	6 70 to 7.20
2's	5.90 to 6.40	6.00 to 6.30
3's	5.40 to 5.60	5.40 to 5.60
4's	5.20 to 5 40	5.20 to 5.40
5's	4.80 to 5.00	4.80 to 5.00
6's	4.30 to 4.60	4 30 to 4.60
7's	3.60 to 4.10	3.60 to 4.10

All prices quoted are for bulk delivery in Keynes trays. The above range is a guide to general market conditions and is dependent upon location. quantity and whether delivered or not.

Base Lending Rates

ABN Bank	13½%
Barclays	13½%
BCCI	13½%
Consolidated Crds.	13½%
C. Hoare & Co	*13½%
Lloyds Bank	13½%
Midland Bank	13½%
Nat Westminster	13½%
TSB	13½%
Williams & Glyn's	13½%

* 7 day deposits on sums of under £10.000 11%. £10.000 up to £50.000 11½% £50.000 and over 12½%.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

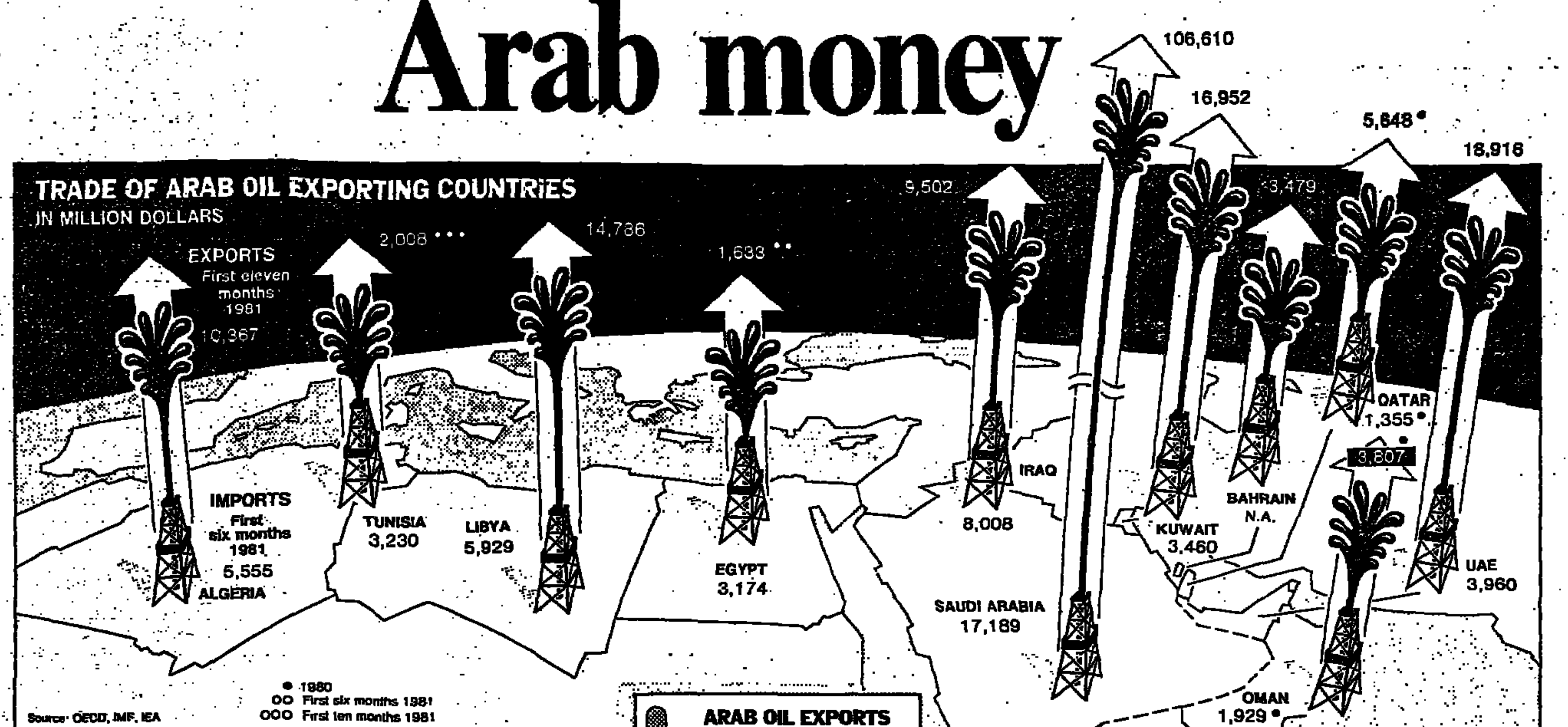
The Over-the-Counter Market

1981/82 High	Low	Company	Price	Ch'ge	Gross Div (p)	Yld %	P/E Actual	P/E Fully Taxed
125	100	Ass Brit Ind CULS	125	—	10.0	8.0	—	
75	62	Airsprung Group	72	—	4.7	6.5	11.4	15.8
51	33	Armitage & Rhodes	45	—	4.3	9.6	3.8	8.5
205	187	Bardon Hill	198	—	9.7	4.4	9.6	11.7
106	100	CCL 11% Conv Pref	106	+1	15.7	14.8	—	-
104	65	Deborah Services	65	-1	6.0	9.2	3.2	6.1
131	97	Frank Horsell	128	-2	6.4	5.0	11.5	23.7
83	39	Frederick Parker	81	—	6.4	7.9	4.1	7.9
78	46	George Blair	52	—	—	—	—	—
102	93	Ind Prec Castings	95	—	7.3	7.7	6.8	10.3
107	100	Isis Conv Pref	107	+1	15.7	14.7	—	—
113	94	Jackson Group	96	—	7.0	7.3	3.0	6.8
130	108	James Burrough	112	—	8.7	7.8	8.2	10.3
334	248	Robert Jenkins	250	—	31.3	12.5	3.5	8.8
62	51	Scruttons "A"	62	+1	5.3	8.5	9.5	8.9
222	159	Torday & Carlisle	159	—	10.7	6.7	5.1	9.5
15	10	Twinlock Ord	13½	—	—	—	—	—
80	66	Twinlock 15% ULS	78	—	15.0	19.2	—	—
44	25	Unilock Holdings	25	—	3.0	12.0	4.5	7.6
103	73	Walter Alexander	77	—	6.4	8.3	5.1	9.0
263	212	W. S. Yeates	225	—	13.1	5.8	4.3	8.7

Prices now available on Prestel page 48146

At a time when oil prices are falling and there is talk of Opec balance of payments surpluses turning into deficits, this Special Report looks at the ways in which the Arabs are handling the immense wealth generated over the past decade

Arab money



Tumbling oil prices and sharply lower current account surpluses are the latest challenge facing the Arab oil states. Opec countries became net borrowers from Western banks to the tune of $3,100m in the third quarter of 1981 for the first time since 1978, and forecasters are now talking in terms of the dwindling Opec balance of payments surpluses being replaced by deficits. But the years of plenty since the first oil shock of 1973 have given rise to remarkable changes in the Middle East.

The massive wealth accumulated by the oil states—Saudi Arabia and Kuwait alone have some $250,000m of foreign assets—huge industrialization programmes, the problem of recycling petrodollars, the wish of the oil-exporters to control both their own destinies and assets—these have all contributed to the emergence of a new and important force in the world of international finance. The growth of Arab banking in particular has been dazzling.

Its history stretches back before the last decade when the Arab states began to exploit the true value of their oil wealth. For instance, Commercial Bank of Saudi Arabia, the largest bank in the Middle East, was founded in 1938. Others are older still.

With few exceptions, however, Arab banking until the 1970s was largely a domestic affair, and, like the oil industry, dominated by foreigners.

With the oil wealth, and the growing national consciousness it engendered, has come rapid expansion and indigenization of the domestic banking industry and — a largely separate development — a phenomenal rise in Arab international banking.

On the domestic front there has also been rapid expansion in other financial areas. Both Jordan and Kuwait now have active stock markets and the idea has been under consideration in Saudi Arabia. The number of shares traded on Jordan's Amman Financial Market jumped from 2,400,000 in 1978, its first full year, to 17,900,000 shares valued at JD14.4m in 1980.

Other capital markets include the Kuwait dinar bond market. Now over ten years old, it was set up partly as an investment outlet free of foreign exchange risk for Kuwait money. It has been hampered by lack of an active secondary market and the artificial level of interest rates but can still number the World Bank and City of Oslo among its borrowers.

In Bahrain, meanwhile, the offshore banking centre — set up in the mid-1970s to provide a local money market for the Gulf states — has made considerable progress, if not entirely meeting the aims and aspirations of its founders. Total assets of the various international offshore banks have risen from $1,500m at the start to $49,000m by last November.

Insurance is another important financial area being developed. Despite religious objections to the concept of insurance in the Moslem world, The Gulf is one of the world's fastest growing insurance markets. With premium income from The Gulf now running into several billion dollars a year — most of which had been going to Western insurers — the Arab states have encouraged their own insurance industry both as a means of sharing in the wealth they are generating and as a way of investing oil surpluses.

The setting up of Arig — the Arab Insurance Group — by Libya, Kuwait and the United Arab Emirates with $3,000m authorized capital is one of the most important recent developments. It is early days yet for Arig but Western insurers are acutely conscious of any addition to the present worldwide overcapacity and take Arig seriously.

Banking, though, has provided the most exciting and, to date, most important developments. The speed of change in the Arab states during the 1970s has meant that the domestic banks have had to run fast to keep pace with the requirements of the domestic economies, so the international expansion has largely been carried out by separate institutions.

In Saudi Arabia, for instance, total bank deposits grew at an annual rate of between 40 and 50 per cent between 1973 and 1980 In addition the profitability of domestic banking has been a further disincentive to branching out abroad, although domestic banks are now doing so more.

While countries such as Saudi Arabia, along with others, have steadily rolled back the foreign dominance and extended their control over banking, the domestic banks have flourished on the back of trade finance, foreign exchange and project finance.

Retail banking is less well developed. Cash is still important, as too are the money-changers,

ARAB OIL EXPORTS TO OECD COUNTRIES
IN THOUSAND METRIC TONS
First six months 1981

SAUDI ARABIA	160,515
LIBYA	34,679
UAE	30,026
ALGERIA	17,517
IRAQ	11,514
QATAR	9,336
EGYPT	6,099

Source OECD, IEA

who have also prospered from the oil boom. In some Arab countries probably only 4 or 5 per cent of the population have bank accounts although the consumer side of banking, and use of payment forms such as cheques, is now growing fast in The Gulf.

To meet the Koran's prohibition of *riba* or interest, Islamic banking is also being developed. The Islamic banks solve the problem by giving depositors a share of profits on business rather than paying interest. Last year saw the setting up of the huge Islamic bank, Dar-al-Maal Islami, with a $1,000m authorized capital to operate as an international bank.

The Arabs have made remarkable strides in international banking. Last year — largely due to the extraordinary growth of two comparative newcomers, Gulf International Bank (GIB) and Arab Banking Corporation (ABC) — their impact became strikingly apparent in the high-visibility syndicated Eurocredit market, a favoured area for Arab banks which lack corporate customers to service abroad.

According to Morgan Guaranty Trust, the share of syndicated Eurocurrency loans led or co-led by Arab banks leaped from about 10 per cent in the three previous years to 18.1 per cent in 1981. Excluding the $42,000m of stand-by credits — many never drawn down — arranged during last year's spate of huge corporate mergers in the United States, the Arab share was a staggering 26.5 per cent.

ABC and GIB are a new breed of Arab bank. The initial international thrust in the 1970s came through consortium ventures, frequently with Western shareholders. Often these banks had specific objectives. Arab Latin American Bank concentrates on trade between the Middle East and Latin America. Saudi International Bank, which is half-owned by the Saudi Arabian Monetary Agency, has a mandate to help the kingdom and companies dealing with it.

Many of these banks have grown remarkably rapidly by Western standards. Total assets of Saudi International, for instance, grew from £785m to £1,228m in 1980, and were about £2,000m by the end of last year.

Since the second oil shock of 1979-80, however, the Arabs have wanted a bigger share of the banking business generated by the oil surpluses, and increasingly they have seen banking as a suitable area for investing capital.

The seizure of Iranian assets during the hostage crisis has also awakened Arab fears abont the safety of their deposits with American banks.

Accordingly, ABC, described as "the bank of banks" was set up by Kuwait, Libya and Abu Dhabi in 1980 with an authorized capital of $1,000m. Its growth has been phenomenal. Paid up capital of $375m was raised to $750m in April 1981 and total assets, $1,950m at the end of its first year, more than doubled to $4,720m by the end of 1981 and are now over $5,000m.

GIB, owned by seven Arab governments, whose capital was raised from $160m to $265m in 1980, has made nearly as remarkable progress, doubling assets to $2,890m in 1980 and showing 29 per cent growth to $3,740m in the first half of last year.

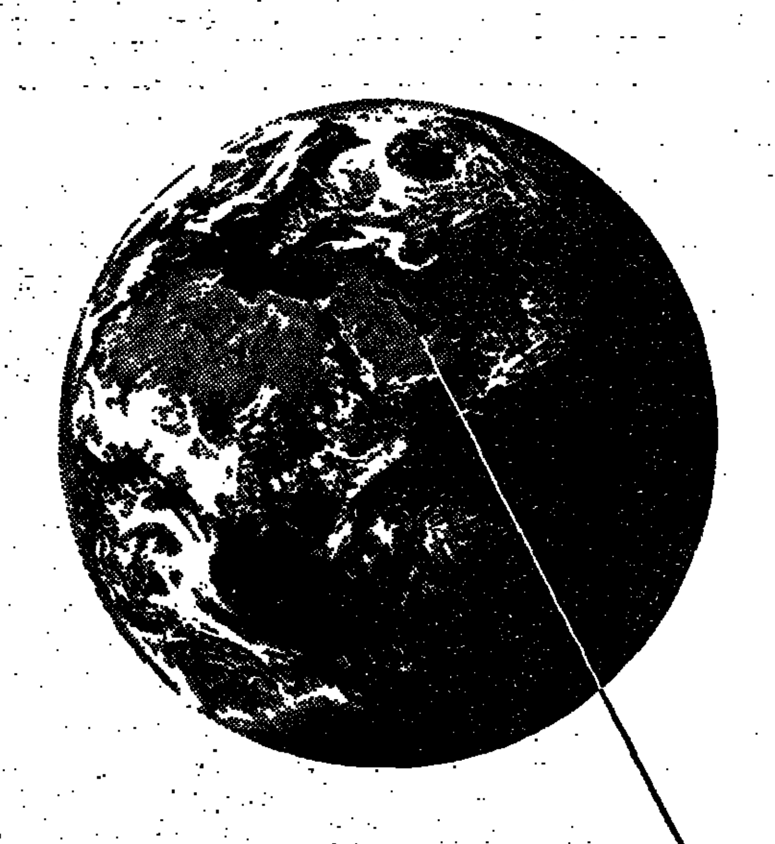
The speed with which Arab international banking has developed can lead to its significance being overestimated. Most of the direct Arab contribution to recycling to the Third World, for instance, has come about through development funds and foreign aid. Regional and national Arab aid agencies have been set up, Saudi Arabia has lent large sums to the IMF, and Arab aid has recently been running at about 3 per cent of gnp — a much higher proportion than the OECD countries have been giving.

Nevertheless, the expansion of Arab international banking has made a welcome contribution to spreading risk and expanding capacity. It has helped to stave off the feats expressed by international bankers after the 1979-80 oil shock about whether the banking system, with its capital constraints and country limits, could cope with recycling oil-exporters' surpluses to the less-developed countries running large balance of payments deficits.

In terms of managing the reserves of the oil states the contribution of the Arab banks has so far also been modest. By and large Arab governments have stuck with the likes of Citicorp and Chase Manhattan, although Arab banks have been steadily getting a bigger share—ABC and GIB for instance, draw over half their deposits from Arab countries, and would like more.

There are two reasons for this. Rapid though their growth is, the Arab banks do not have the capital base to sustain any very pronounced shift in Arab deposits away from the Western banks. Their relative inexperience in running loan portfolios and assesssing country risk has also counted against them in the eyes of Arab depositors. Finding and training Arab expertise is one of the major problems for the Arabs in developing their own financial institutions, and one they are tackling with training centres.

Peter Wilson-Smith
Banking Correspondent



OVERSEAS INVESTMENT

Where the multi-millions go

Are the Saudis going into yen or sterling? Will the Kuwaitis be buying into West German industry or Florida real estate? How big will Qatar's current account surplus be this year?

These questions are of vital interest to governments, central banks, financial institutions, and businesses around the world, but good answers are hard to find. They are known only to man like Abdel-Aziz al-Quraishi, governor of the Saudi Monetary Agency (Sama), who has the daunting task of controlling about threequarters of *his country's estimated* foreign assets of $180,000m.

Nobody is quite sure of the exact amounts which the Saudis and other Opec members have accumulated since the first big oil price rises of 1973-74, nor where those thousands of millions are invested. The Arab oil exporters themselves tend to be secretive about their foreign assets, leaving scores of economists and analysts around the world busy keeping track of the Opec surpluses, and trying to predict where they will be placed or from where they will be withdrawn.

Wealth to be returned

About 65 per cent of Opec's total foreign assets are accounted for by just two countries — Saudi Arabia and Kuwait — whose governments between them command some $250,000m worth of overseas investments. But the ways in which these two countries' funds are deployed reflect important differences in their attitudes to foreign investment and its ultimate purpose.

The Saudi philosophy is that its foreign investments are "temporary" and that the country's wealth is held abroad only until it can be used productively at home. The absorptive capacity of the Saudi economy is still limited, but the massive development plans now being implemented will, it is hoped, create better opportunities for the country's oil rev*enues to be invested domesti*cally.

This ideal is clearly reflected in Sama's preference for straight bank deposits, short and medium term government securities, and other relatively liquid assets. Only very small amounts are held in property or company equity.

Geographically, the United States is by far the most important home for Saudi money, with more than half of Saudi Arabia's foreign assets held in United States treasury bills. This is partly because of Saudi Arabia's strong political and economic ties with the United States, but also because Sama feels that the United States markets — by virtue of their size and sophistication — are the best-equipped to accommodate investments on this scale.

While the US still holds pride of place in the Saudi investment portfolio, the last two years have seen a greater willingness to diversify holdings into other currencies, and to accept longer-term maturities. The Saudis have been particularly active in arranging government-to-government credits, notably to West Germany and Japan.

Last year saw perhaps the most important indication yet of the role the Saudis might be playing in the recycling of so-called petrodollars. An agreement was concluded with the International Monetary Fund (IMF), under which the Saudis would provide the fund with up to 8,000m SDRs (about $10,000m) over three years.

In return Saudi Arabia won a seat on the IMF executive board and an increase in its IMF quota, and hence its voting power, which now ranks it sixth in the IMF hierarchy. This badly-needed injection of funds has enabled the IMF to step up its balance-of-payments assistance to developing countries, and will largely finance the *record $5,800m IMF loan to* India.

The Kuwait view of foreign *investments* differs radically from the conservative Saudi approach. Kuwait sees its investments abroad as serving a more important purpose than the mere "safekeeping" of surplus wealth. Overseas investments have *already become for Kuwait* an important source of *income, amounting to over* $6,000m in 1981.

Indeed, Kuwait's foreign investments are a major part of its long-term economic strategy, preparing the country for the day when it will no longer be able to rely on income from crude oil exports to maintain the high living standards its people have grown to expect.

The Kuwait government's foreign assets—estimated at $75,000m-$80,000m at the end of 1981—are smaller than Saudi Arabia's, but its pattern of investment reveals a more aggressive style. Of course, there are substantial holdings in short-term government securities in the US and Britain, as well as *dollar, sterling, deutschmark* and yen bank deposits. But it is Kuwait's direct investments in equities, property, banking and other activities which characterise its foreign interests.

Foreign assets held by Arab oil-exporting countries
($ billions, estimated)

	End of 1981
Saudi Arabia	170–180
Kuwait	75–80
UAE	38–40
Qatar	12–14
Libya	24–25
Iraq	20–30

The Kuwait Investment Office (KIO) in London, the investment arm of the Ministry of Finance, has been active since the early 1960's acquiring stakes in British companies. The rule that only holdings of more than 5 per cent need be disclosed has made it difficult to tell exactly how big is the Kuwait stake in UK equities.

But it is known that there are at least 45 UK companies in which the KIO holds more than 5 per cent of the shares. These include oil companies, banks and insurance companies, as well as property companies.

As well as the KIO, Kuwait's public sector funds are also invested through Kuwait and foreign banks, investment companies and insurance companies. The state-owned Kuwait Petroleum Corporation (KPC) — the umbrella organization controlling the country's oil industry — is also emerging as an important foreign investor.

Last year it took a 25 per cent interest in the International Energy Development Corporation (IEDC), which invests in the development of energy resources in poorer oil-importing countries.

A worry *perpetually* on the minds of the financial authorities in countries in which these huge Opec surpluses are held or invested, is what the effect would be of a sudden withdrawal of Arab funds. The freeze imposed on Iran's US assets in 1979 probably had as much to do with fear of a withdrawal of Iran's deposits from the US banking system, as it did with the plight of the American hostages or with safeguarding against a possible Iranian default on its debts.

The Iranian experience certainly alerted the Saudis, Kuwaitis and others to the vulnerability of their holdings in the West, and was perhaps a factor prompting *money managers to diversify* their assets geographically.

But in normal circumstances the chances of a sudden shift of loyalty are remote. The Saudis in particular feel a great sense of responsibility towards the *industrial* economies, and realize that they now have a vested interest in the stability *of the intenational financial* system.

They are careful never to precipitate a run on a currency through a badly timed or excessively large withdrawal. *In that sense,* the Arab governments' large *foreign holdings have probably had a stabilizing effect* on the world's financial markets.

Johnny Rizq

Deployment of OPEC's identified financial surplus 1977-80

	1977	1978	1979	1980	Total 1974-80
	$ billions				
US, domestic:	7.40	0.26	7.06	14.20	59.44
Bank deposits & portfolios	*7.00*	*-0.04*	*8.36*	*13.00*	*53.54*
Other	0 40	0.30	-1.30	1.20	5.90
UK, domestic:	0.70	0.20	2.40	2.80	12.40
Sterling bank deposits	0 30	0 20	1.40	1.40	3.80
UK government stocks	0.00	-0.30	0.40	1 90	3 50
Other	0.40	0.30	0.60	-0.50	5 10
Bank deposits in other countries	10.60	3.00	33.50	41.00	132.10
UK Eurocurrency deposits	3.10	-2.00	14.80	14 80	54.20
Other	7.50	5.00	18.70	26.20	77.90
International organisations and gold	0.30	0 10	-0.40	4.90	14.4
Other investments in other industrial countries, plus loans to developing countries, etc	12.80	10.40	18.30	23 30	100 40
Total (identified) surplus	**31.80**	**13.96**	**60.86**	**86.20**	**318.74**

Source Wharton Middle East Economic Service (derived from data from Bank of England Quarterly Bulletins, US Treasury Bulletins and Office of International Banking)

ISLAMIC BANKING

Economics and the Koran

When Dr Ahmed Al-Naggar, secretary of the International Association of Islamic Banks, advertised recently in the Egyptian daily *Al-Ahram* for staff for an Islamic bank, the advertisement said applicants should not have worked in commercial banks. "I will never employ anyone who has been working in a commercial bank because the *philosophy is quite different* — they obstruct it", Naggar explains. "If you want to destroy an Islamic bank put a commercial banker in it!"

Not all Islamic bankers agree with Nagger, who is well known for this outspokeness. But if Naggar finds it difficult to get the philosophy of Islamic banking over even to Muslims once they have worked within the conventional banking system, how much more difficult is it to convince western bankers and observers that Islamic banking is viable and here to stay.

As Dr Ibrahim Kamel, the chief executive of the recently created Dar al-Maal al-Islamic (DMI), puts it: "People have the impression that we've discovered the lucky gold streak of how to *fool people out of their* money using the Koran. That is absolutely not true: all the people involved in DMI are wealthy. They didn't need DMI to make more money".

Shortcomings of system

Islamic banking is based on replacing the fixed interest *(riba)* system by one of profit and risk sharing. Although Islamic bankers refer to verses in the Koran which prohibit *riba* and point out that Judaism and Christianity forbade usury. They also argue that the current state of the international financial scene shows the shortcomings of the classical banking system and, in particular, of interest.

"The Islamic bank's role is *to mobilize funds from a* community and put them at the disposal of the community — poor and rich — so that the whole community moves forward to become productive", Kamel says. "We don't feel that the actual banking system is doing that. All it seems to be doing is helping people live beyond their means and sink up to their necks and beyond their heads in debt". He mentions *the debts of Poland,* Romania, Zaire and the United States budget deficit.

The first project to put Islamic banking theory into practice began in the Egyptian delta town of Mit-Ghamr in 1962, with Naggar as director. Within three years 11 banks had been created with more than a million customers. Although the experiment was disbanded in 1967 for political reasons, Naggar says it proved that: "To face the social and economic problems in Islamic countries you have to *integrate the masses in the* development process. You cannot do this with any formula which contradicts their religion."

Islamic bankers say that only 4 per cent of potential bank users in Islamic countries deal with banks at present. The remaining 96 per cent represent a vast source of possible business.

King Faisal of Saudi Arabia was keen to see the formation of an international Islamic financial institution, and initiated the process by which the Islamic Conference set up the Islamic Development Bank (IDB) in Jeddah in 1975. In 1981 the bank disbursed more than US$500,000 in aid to Muslim countries.

King Faisal's son, Prince Mohammad al-Faisal al-Saud, *has played a very active role* in developing Islamic banking and is president of the International Association of Islamic Banks. He is chairman of the Faisal Islamic Bank in Sudan and the Faisal Islamic Bank of Egypt, both created in 1977, and of the Islamic Investment Company (IIC), which was formed as a Bahamas-registered company in 1977. IIC operates through its Sharjah-based subsidiary, IIC of The Gulf.

The success of the Islamic banks in Sudan and Egypt and of the IIC encouraged the Prince in association with Kamel to launch DMI in a blaze of publicity last year. With authorized capital of $1,000m, DMI has so far raised capital of $315m, of which $155m came from a private offering, $100m from a public offering and $60m from a share issue to IIC which DMI has taken over.

Registered in the Bahamas but administered from Geneva, DMI hopes to establish banks, investment companies and insurance companies in 20 Muslim countries during the next five years. They will be owned 51 per cent by DMI and 49 per cent locally. It also intends to create international Islamic banks in Europe, America, the Far East and the Middle East as well as shipping, mining, leasing, trading and contracting companies.

Although Prince Mohammad's institutions have attracted the lion's share of publicity, a number of other Islamic financial bodies are also operating successfully. The Kuwait Finance House has done particularly well. Founded in 1977, it is owned 20 per cent by the Ministry of Justice, 20 per cent by the Ministry of Finance, 9 per cent by the Ministry of Awqaf and Islamic Affairs *and 51 per cent by Kuwaiti* nationals. It is said to have at least 40,000 depositors and profits in 1980 were about 10m Kuwait dinars, three times greater than 1979.

Mastering a vocabulary

Dubai Islamic Bank was created in 1975 and is owned 10 per cent by the Kuwaiti Government, 10 per cent by Dubai and 80 per cent privately. It and the Kuwait Finance House are shareholders in the Bahrain Islamic Bank established in 1979. In Jordan there is the Jordan Islamic Bank for Finance and Investment with a 100 per cent public shareholding. Egypt's Nasser Social Bank was founded *in 1971 to* provide interest-free loans and is funded by a levy on public sector companies.

For the westerner, Islamic banking presents a sometimes bewildering array of concepts and terms. The owner of surplus funds is the *rab al maal* and the person or institution entrusted with funds for management is the *mudareb*. Under the terms of the business organization known as the *mudaraba*, the *mudareb* receives an agreed share in the profits. Losses are sustained from the funds of the *rab al-maal*.

Other essential words in the Islamic banking vocabulary are *murabaha* (a cost plus system with a freely *negotiated* margin added to raw materials or equipment bought by the bank for the client's repurchase), *ijara* (leasing), *musharaka* (a partnership with inputs of capital from all participants), *sakk* (plural *sukuk*, certificate, particularly that issued in relation to a *mudaraba*) and *tadamum* or *takaful* (insurance, expressed as "solidarity").

But Islamic bankers would say that a proper understanding of Islamic banking is much more than mastering a new vocabulary or set of financial mechanisms. It involves understanding the religion itself and the nature of Muslim society.

Islamic banking takes another step forward in September with the opening in Cyprus of the International Institute of Islamic Banking and Economics directed by Naggar. It will offer one-year courses for graduates and eventually four-year courses for school leavers, with an initial intake of 100-150 students.

Susanna Tarbush
The Middle East

ARAB MONETARY FUND

Why the artificial dinar was created

Numerous pan-Arab organizations have recently been set up to help to promote coordinations, and possibly integration, of Arab economic, financial, industrial and social policies. One of the most specialized of such organizations is the Arab Monetary Fund (AMF), set up in Abu Dhabi in April 1976. It is partly modelled on the International Monetary Fund (IMF) and like the later it provides its 20 member states with balance of payments support without being an aid agency as such. Unlike the IMF, the AMF is allowed to offer financial guarantees to members and to act as intermediary in world money markets. Besides, the AMF's medium and long-term targets are not of the type the IMF is expected to achieve.

The AMF's charter, *adopted in November 1975*, lists several of such targets, the most important of which are: helping *in the* "progress towards Arab economic integration," developing Arab money markets, working towards creating a "unified" Arab currency and "securing protection" for the rising Arab monetary investments abroad.

Paid-up capital

To help to evolve a unified Arab monetary system, the AMF uses a currency of its own creation. Called the Arab dinar, it is an artificial currency similar to the IMF Special Drawing Right (SDR). One Arab Accounting Dinar (AAD), as it is technically called, is worth three SDRs. The value of the AAD is not based on a currency basket — as the SDR is — but is simply pegged to the SDR itself and therefore it automatically follows the latter's market value.

The AMF's authorized capital has been fixed at AAD 250m (SDR 750m or about $870m). Paid-up capital has steadily increased, from AAD 67m (about $233m) in 1978, to AAD 146m (about $508m) by the end of December 1981. The paid-up capital is supplemented by a smaller sum, now worth $25m, provided in members' local currencies. This is deposited in members' central banks and is not used for AMF lendings.

Loans provided by the AMF totalled AAD 113.4m (SDR 340.3m or about $395m) by the end of 1981. The biggest recipients have been Sudan, Morocco, Mauritania and South Yemen, all countries with big balance of payments deficits. Now that the fund has committed more than 50 per cent of its paid-up capital, members will be required, according to a recent board meeting, to pay in their unpaid portions. It is, therefore, expected that the fund's authorized capital will become fully paid soon.

Although this will obviously boost the fund's cash resources, it will not enable it to carry out its ambitious lending programme for the next few years. Addressing a group of senior bankers in London in September 1981, the president of AMF, Dr Jawad Hashim, a London School of Economics-trained economist and a former Iraqi planning minister, said that unless the AMF's capital is increased tenfold, it will have to resort to other sources to stay in business. Of the fund's 21 members, Dr Hashim said, 11 have "chronic" balance of payments deficits. By 1985, such deficits will be so large that only the proposed tenfold capital increase and a closer cooperation with the IMF could help in financing these deficits.

The problem is where will the money come from? The AMF charter allows it to borrow from money markets only up to twice its authorized capital. But even if this was fully done, the fund would still have to find substantial sums from other sources. Dr Hashim wants the fund to be allowed to borow more and to be able to attract extra Arab official funds.

No one country may borrow from the fund more than five times of its paid-up capital. Although AMF loans are in many ways based on IMF procedure, their interest rates and "conditionalities" are more favourable to the borrower. Loans are denominated in AAD, but disbursements are normally made in one or more convertible currencies, especially dollars. Interest rates vary between 3¾ per cent and 7 per cent, depending on the type of loan and repayment schedule. Lending policy is to provide credits on uniform concessionary terms, while maintaining the real value of the fund's capital and increasing its reserves.

Balance of payments support loans normally take one of four forms. An "automatic loan" should not exceed 75 per cent of the recipient's capital subscription. An "ordinary loan", not exceeding 225 per cent of the recipient's paid-up capital, is granted to support a "specific" balance of payments "reform" programme agreed with the fund. The third type, the "extended loan", should not exceed 325 per cent of the borrower's paid-up capital, but extends to seven years instead of five.

Fifth type of loan

The last type, the "compensatory loan", allows the recipient to borrow an amount not exceeding 100 per cent of its paid-up capital regardless of any other borrowing. This is intended to finance unexpected balance of payments deficits resulting from a big unexpected rise in farming imports' prices or from a sudden *drop* in exports other than oil.

A fifth type of loan, which has already been approved, is expected to be introduced soon. It will enable members with no global balance of payments deficits, but with inter-Arab trade deficits, to borrow up to the equivalent of their capital contributions to the fund. It is hoped that such loans, which will be for up to three years, will boost inter-Arab trade, which now amounts to only a fraction of the region's trade with even the smaller countries in West Europe.

Although much of its business has been in direct lending, the AMF has been working hard on several proposed measures to promote the movement of funds and commodities within Arab countries. One such proposal, which was approved by Arab central banks in August 1981, is to establish an Arab "payments union". Such a union, Dr Hashim says, would remove restrictions on payments between Arab countries. Another proposal is to establish an Arab "monetary area", something like the former British Sterling area. Creation of such a monetary area would be more practical than the fund's original aim of establishing a unified Arab currency, which Dr Hashim thinks is not attainable in the foreseeable future.

Atef Sultan



The Cancun summit on the world economy last October ended, disappointingly, with no specific aid pledges from the participants. However, some Arab countries have given as much as 16 per cent of their gnp in aid in recent years. Prince Fahd, of Saudi Arabia (front row, fifth from right), and President Chadli Benjedid of Algeria (front row, fourth from left), represented the Arab world at the Mexican meeting.

INTERNATIONAL AID

Oil producers' generosity sets example

Last year, the international year of the disabled, might equally well have been dubbed "the international year of talks on the economically disabled Third World countries". Top-level talks on "helping" these countries have recently become a growth industry dominated by words rather than action; something like an international pastime.

Developing countries, whose combined foreign debt is estimated to have reached $524,000m in 1981, are facing serious difficulties in attracting sufficient commercial loans to meet their immediate needs, let alone long-term development. Because of this, they are naturally looking for more aid and concessionary finance. Aid to poor nations has therefore become a popular item on the agenda of most international talks.

The 1981 list of such talks is impressive. It includes several EEC meetings, the Ottawa summit, the Paris United Nations conference on the least-developed countries, the Canberra Commonwealth nations summit and the Cancun summit. The last was the most disappointing of all. It ended without a final communiqué and no specific aid pledges. Instigated by the Brandt Commission, and attended by heads and leaders of 22 industrial and developing nations, the Mexico conference offered little comfort to Third World nations.

The Brandt Commission's report, *North-South: A Programme for Survival*, issued nearly two years before the Cancun meeting, proposed that the industrial nations should by 1985 restate the U.N.'s target for the 1970s of 0.7 per cent of gnp and increase this rate to 1 per cent by the end of the century. Industrial nations' aid has for many years been running at only half of the past decade's target and further big cuts have recently been made, particularly by the United States and Britain. Even before it started, many western politicians and bankers had anticipated the failure of the Cancun summit because, they said, the proposed aid targets, even though designed for more than 10 years ago, were highly optimistic.

An impressive record

Such rates have long, however, been surpassed by Arab countries, two of which — Saudi Arabia and Algeria — attended the Cancun summit. The record of Arab donors has been so impressive that the world's leading authority on monitoring international aid, the OECD, in November 1981 praised Arab aid funds for their "sophisticated loan procedure." The OECD went even further to urge its member countries to equal the Arab funds' record in this respect.

OECD figures show that some Arab countries have in recent years given as much as 16 per cent of their gnp in aid and have been giving, even in absolute terms, much more than rich industrial European states. Italy, for example, whose gnp is not much smaller than the combined gnp of all Arab states, provided only 0.17 per cent of its gnp in aid in 1980. Arab aid has recently been running at about 3 per cent of gnp, or about 10 times the combined rate for industrial nations. In 1980, for instance, the rate for Arab aid was, according to OECD figures, 2.65 per cent of gnp, compared with a meagre 0.27 per cent for the United States and 0.34 per cent for Britain.

Concessionary Arab aid was pioneered by Kuwait 21 years ago, when the Kuwait Fund for Arab Economic Development (KFAED) was set up. Now nearly all Arab oil-exporting states have set up their own aid agencies. Combined Arab aid has increased from about $1,300m in 1973, to $4,879m in 1975 and $6,798m in 1980. Complete figures for Arab aid in 1981 are not yet available, but reliable estimates show that loan disbursements by the Vienna-based Opec Fund for International Development (OFID) and the seven Arab national and regional agencies increased by more than a third in 1981, to about $2,600m, compared with the previous year.

Only about a third of Arab aid disbursements is normally channelled through national agencies. The rest is provided on a government-to-government basis or through pan-Arab, Opec and regional and world agencies. The biggest pan-Arab agency is the Kuwait-based Arab Fund for Economic & Social Development (AFESD), set up in 1973. It now has a capital of KD400m ($1,400m) and had disbursed nearly $1,470m by the end of 1981. Another pan-Arab agency, the Khartoum-based Arab Bank for Economic Development in Africa (ABEDA), also set up in 1973, lends only to non-Arab African states. By the end of 1981, the bank had provided loans and grants totalling about $750m.

OFID and the Jeddah-based Islamic Development Bank (IDB) are not strictly Arab, but still receive most of their funds from Arab sources. Between 1976, when it started business, and December 1981, OFID committed $1,942m, including $1,305m in 267 loans. The fund, which has recently raised its capital to about $4,000m, is expected to lend about $700m this year. The IDB lends only to Muslim countries. By December 1981, it had provided credits totalling $2,470m, of which about $570m was disbursed in 1981.

Besides contributing to regional funds, Arab donors channel substantial sums into world agencies such as the International Monetary Fund, to which, in April 1981, Saudi Arabia, now one of the world's top donors, agreed to lend $10,000m to help the fund to meet the rising demand for soft credit. The kingdom's aid disbursements totalled $3,033m in 1980, nearly twice the figure for Britain.

Other big donors include Kuwait, the United Arab Emirates and Iraq. Thirteen years after starting business, KFAED, in 1974, began lending to non-Arab countries. Its disbursements to the end of 1981 totalled nearly $3,300m. The fund, which early last year doubled its capital to KD 2,000 million ($7,020m), disbursed $718m in 1981, making it the biggest lender among Arab funds in that year. The United Arab Emirates provided $1,062m in 1980 and its Abu Dhabi Fund for Arab Economic Development (ADFAED) disbursed nearly $1,100m between 1974 and 1981. Iraq, which is rapidly becoming a major donor, provided $854m in 1980. Its aid agency, the $677m Iraqi Fund for External Development, disbursed about $225m in 1981.

A.S.



ARAB MONEY



War risks in the Middle East. The Iraq-Iran war, which started in September 1980, drags on. Here, Iranian soldiers wait for the next Iraqi attack in the oil city of Abadan.

INSURANCE

The policies that are still hardest to sell

The recent rapid expansion of Arab insurance companies is a logical development of a sector of the Middle East economy which has lagged significantly behind locally-based oil and banking industries. Islam's strictures against the *principle of* insurance is an important, though not the exclusive, reason why indigenous retail insurance and reinsurance capacity is well below local needs. Until very recently, most Arab countries have also lacked the expert knowledge to create an efficient industry.

Put simply, orthodox Muslims object to insurance on principle because it contains elements of *riba* (interest), *garar* (risk/uncertainty), *juhala* (an unknown element) and *maisir* (gambling) to a degree which is incompatible with even the most liberal interpretations of the *sharia* (Islamic law). These fundamental criticisms still hold good, despite attempts by modernists to create new, Islamic institutions to provide insurance.

The industry has been most widely accepted in countries which do not rely exclusively upon interpretations of the *sharia* for guidance about the soundness of insurance. They include Algeria, Egypt, Syria and Iraq. At the other end of the spectrum are the conservative Arabian peninsular countries, notably Saudi Arabia.

In general, there is less resistance to project insurance than there is to household insurance, which in turn is more acceptable than life insurance, which continues to be the exception rather than the rule in the peninsula. Nevertheless, there has been sufficient development in local thinking about the value of insurance to make the Middle East market one of the fastest growing in the world.

Iraq has historically had the largest risk-bearing capacity through the Iraq Reinsurance Company. It usually retains more than 50 per cent of its annual gross *premium income*. Egypt Reinsurance is also a *significant* participant in the Middle East market.

In contrast, western companies have tended to dominate both the insurance and reinsurance markets of Arabian peninsular countries. However, governments are beginning to recognize that local investors could benefit more from the flow of funds foreign insurers have enjoyed since 1973.

Booming local market

Saudi Arabia is the most significant market, generating about $3,000m worth of premium income annually, most of which has been benefiting western economies. Local investors have been constrained by the absence of a legal entity through which insurance business can be undertaken. Since insurance as a concept does not exist in the Koran, it is impossible to create a company in Saudi Arabia specifically to participate in this activity.

Nevertheless, most Saudi ministries now require evidence that companies undertaking public sector contracts have arranged insurance cover, and the Government has discreetly encouraged local investors to participate in the booming local market. The first major indication of official approval of Saudi involvement in the industry emerged in 1979 with the unveiling of the insurance wrap-up programme for the Royal Commission for Jubail and Yanbu's projects. Put together by the United States' Alexander & Alexander and Saudi Arabia's United Commercial Agencies, risks were accepted only by companies with a significant proportion of Saudi equity.

The fact that the business acquired by such companies was in turn placed with western reinsurers has not escaped the notice of local planners. This is the priciple reason for the creation of the Arab Insurance Group (Arig), a Bahrain-based insurance and reinsurance exempt company which started doing business in July 1981. It is owned by Kuwait, Libya and the UAE, though the founders are prepared to accept other Arab countries as shareholders.

Capitalized at $3,000m, Arig has set the alarm bells ringing in traditional reinsurance centres which have experienced an earnings squeeze because of substantial world over-capacity. It has also produced some concern among state-owned reinsurance companies, notably the Iraq Reinsurance. Nevertheless, international insurers accept that Arig has become a permanent feature of the industry. Lloyd's of London has been allocated 30 per cent of the company's reinsurance programme even though it has just 1 to 2 per cent of world capacity.

Getting more local involvement in the insurance industry is one of several issues that have emerged in the past decade. Another is a gradual increase in the number of public projects requiring decennial liability insurance cover.

Egypt has traditionally had this requirement, but Abu Dhabi also ruled for decennial guarantees on all new government building and civil engineering contacts in 1980, and there have been a growing number of Saudi projects subject to 10-year contractor's liability.

A further issue, and one which is unlikely to be resolved in the immediate future, is how to cope with political and war risks in the Middle East. Lloyd's underwriters decision to apply, in effect, a war risk premium on vessels travelling to The Gulf in mid-1979 focused attention on the growing rift between foreign insurance underwriters and Arab countries about the risk of doing business in the region.

Subsequent events, especially the outbreak of the Iran-Iraq war in 1980, proved Lloyd's decision was timely. However, it failed to dissipate resentment among local businessmen that traditional insurance centres were using their monopoly over hull insurance business to extract excessive profits from the Middle East. The direct result has been the creation of the Arab War Risks Insurance Syndicate, which is offering capacity in this sector of the market.

With the passage of time, the differences between Middle East and Western insurance markets should become smaller, though there is little chance that all the special Middle East factors — notably reluctance in conservative countries to accept life insurance — will disappear quickly.

Most significant of the recent developments has been the emergence of locally based insurance expertise and capacity. Though still lagging behind other local *industries, insuance had now* become a well-established feature of every economy in the region and will become steadily more important in the 1980s.

Edmund O'Sullivan
Middle East Economic Digest

BAHRAIN

Projects with probable spin-offs

Bahrain has been the focus of attention for the Gulf's political leaders since the National Day plot was uncovered in December and can expect as a result to receive greater bolstering in many spheres from fellow members of the Gulf Cooperation Council. The islands have long been the site for existing inter-Gulf industrial, financial and public service projects, of which the latest and the largest is the causeway to Saudi Arabia.

Manama bankers insist that the effects of the failed coup attempt on both flight-prone liquidity and attitudes to lending in the region have been negligible. Since the last serious outflow of capital after the Iranian revolution in 1979, United States dollar interest rates have fallen from their peaks and instruments for preserving liquidity within the region have multiplied.

As all the Gulf states have addressed themselves to the same problem, however, steps that Bahrain's neighbours have taken at home have made it more difficult for the state's Offshore Banking Units to get hold of the regional currencies in which they originally set out to make modern-type markets. Onshore banks, for their part, have had a steady-to-good year in 1981. In an economy where so high a proportion of activity is state-engendered, domestic bankers can allow themselves greater optimism again in 1982 at the prospect of lending opportunity benefits both from regional projects and from the Government's own four-year 2,300m dinars economic and social development programme which got underway in January this year. Meanwhile related financial services in Bahrain including commodities and securities broking, reinsurance and new specialist banks continue to diversify and innovate.

The underlying problem of outward-draining liquidity, common to all The Gulf, is not of the same degree of urgency at present as it was when dollar interest rates were at their peak, and bankers in Bahrain say they noticed no sudden new outpouring after the December excitement. During the heydey of the dollar rates, the Bahrain Monetary Agency had been obliged, like its counterparts elsewhere, to allow interest rates on the dinar to rise.

Gulf governments are always loathe to do this; on the one hand Gulf domestic bankers had previously been *used to attracting deposits at* comfortable low cost for so long they had come to regard that situation as normal and, on the other hand, high interest rates are even more *unpopular with the public in* Muslim countries than elsewhere.

Dinar rates were allowed to rise by 1 per cent in December 1980 and now range from 8½ per cent on one-month deposits to 10½ per cent for 15 months — still less than shocking internationally. In 1980 the BMA also gave banks permission to issue negotiable certificates of deposit in large denominations, a vehicle which has apparently been well received.

Domestic banks had quite a good year in 1981; measured by total consolidated balance sheets, growth was only 3.5 per cent compared with 21 *per cent in 1980* but demand for borrowing is firm and profits for the year are expected to be good when announced. The admittedly atypical National Bank of Bahrain has already announced record profits, up 42 per cent on the previous year's. Lending opportunities are concentrated in construction (29 per cent of bank credit in September 1981) and trade (26 per cent) and some manufacturing, and competition is strong.

A beginning has been made on a large number of Gulf projects to be sited in Bahrain which can be expected to scatter spin-off benefits to these sectors. The Gulf Petrochemicals Industries Corporation's methanol plant at Sitra, the Arab Iron and Steel Company's pelletizing plant and the Gulf Aluminium Rolling Mills Company are examples.

Work on the deeply symbolic causeway, long awaited but not without reservations, was begun last year; proximity to Saudi Arabia *is one of*

continued on facing page

KUWAIT

Entrepreneurs with a merchant spirit

Though the multinationals of the West frequently own companies in the Third World, the reverse is not often true. So when Kuwait made its successful takeover bid last year for the United States giant Santa Fe International, it took America by surprise. It was the first time that an Arab state had taken more than a minority stake in a major United States compamy and heralded a new era in Kuwait's foreign investment policy.

Kuwait's overseas assets have more that doubled since 1978 and are now estimated to have topped $76,000m. Managing this amount of cash is becoming increasingly complex and Kuwait's financial wizards have to apply their every wit to the task. Their strategy, however, is not to indulge in indiscriminate speculative ventures which might upset the economies of the West, but rather to seek investments which are above all secure. Kuwait's overseas holdings, like those of other Arab oil producing states, are its investment for the future. The main concern, therefore, is to find outlets which will continue to furnish a steady and reliable return over many years.

For a long time now, *Kuwait, a tiny state with a* small population, has been producing oil well beyond its domestic financial needs as a concession to the West. To prevent these earnings from losing their value, it has been obliged to explore many investment avenues. No investment manager keeps all his eggs in one basket and Kuwait has accordingly sought to vary both the type *and currency of its holdings.*

The purchase of Santa Fe marked a new departure, however, for the objective was to invest in a company which was not only financially viable but which would also give Kuwait access to particular skills. Santa Fe's main activities are drilling *and engineering which can* complement those of Kuwait's own oil industry. Apart from being of direct help to energy development *in Kuwait, the acquisition* is also likely to benefit other Third World states. Many of the company's contracts in the last few years have been in developing countries, including several Arab states, with one of the group's current projects being design and engineering for a methanol plant in Saudi Arabia.

Financial initiatives such as *the Santa Fe deal should* not really astonish for the entrepreneurial spirit has long been a part of Kuwait's merchant tradition. It is a state which boasts not only the world's eighth largest stock exchange but also a large number of commercial banks and investment institutions. In recent years, these have shown remarkable versatility in developing new skills and their contacts are by now worldwide.

They are now represented, for instance, in all the world's main financial centres and have a foothold in almost every continent either through their own offices or through their shares in the Arab-international joint venture banks like UBAF of Paris.

This international net work is providing Kuwait's financial community with a wide range of clients. *Both private* and public Kuwait funds are thus being channelled to a variety of customers in other Arab states, industrial countries and other developing nations. Brazil, Mexico, the Philippines, Malaysia, Argentina, Venezuela and Nigeria, for instance, have all received loans from Kuwait banks.

According to independent estimates, total Arab bank lending to developing countries has increased sharply in the last two years and there is no doubt that Kuwait's banks, which are among the most active, played a big part in this. Most significantly, too, with their growing expertise, they *are now more willing and* able to shoulder the burden for instigating and organizing credits, assuming the leadership roles previously played *mainly by Western* banks.

The setting-up, in 1980, of a big new bank, Arab Banking Corporation (ABC), by Kuwait's Finance Ministry, Libya and Abu Dhabi, undoubtedly gave a big boost to Kuwait banks' international lending. *Because of its big capital,* comparable with that of some of the world's biggest banks, like Citibank of the United States, ABC has been *able to act as lead manager* for many loans. From the start, it set out to pioneer new roles for Arab banks and has taken the initiative, for example, *in forming syndicates* consisting entirely of Arab banks.

While such syndicates have been formed from time to time in the past for Arab borrowers, they are now being drawn together for other clients, such as Brazil, Turkey and Yugoslavia. This means, too, that for the first time Arab banks can formulate and act on a uniquely Arab lending policy.

Just as Kuwait's banks and finance companies have *gained* in *international* stature, so the reputation of Kuwait's currency, the Kuwait dinar (KD) has been enhanced. It is now a currency which *foreign* borrowers, keen to diversify their sources of funds, are *happy to hold.* This is partly because of the close link between the KD and the dollar, which means that borowers wishing to convert KDs into dollars *run little* exchange risk.

International borrowers raised funds in KDs as far back as the 1960s but the *market was closed two years* ago to allow for a rethink. At the time, it was having unfavourable repercussions on local lending in Kuwait, making it difficult for Kuwait companies and traders to find funds. Since then the government has revised its strategy and monitors carefully the number of issues in the market.

The large *number* of borrowers which have come to the market since it reopened in the middle of last year, show that confidence in the KD is undiminished. Among them, for instance, has been the World Bank, *which borrowed a particularly* large amount, a United States firm, Union Pacific, and the City of Stockholm..

An interesting feature of some of these issues is that the interest rate on them has been allowed *to rise above* what was previously an upper limit of 10 per cent. The change, which should make the bonds more appealing to investors, suggests a new flexibility in Kuwait's financial policy. Finding ways for private Kuwaitis to invest their funds is one of the Government's most difficult tasks.

Margaret Greenhalgh

SAUDI ARABIA

How the investor is lured out of his tent

In a country devoted to private enterprise the banking sector is still only a small part of the *motor that* pumps wealth around the Saudi economy. It is a sector heavily controlled by the Saudi Arabian Monetary Agency (SAMA) and, by the end of this year, there is unlikely to be single bank *left* which is not majority Saudi-owned.

Even the 13 licensed banks have their overwhelming urge to expand tightly curbed. The result, for the first five years after the economic boom of 1975-76, was that much legitimate banking business spilled over *into the laps* of the money-changers and abroad to the growing community of offshore banking units (OBUs) in Bahrain. Banks were allowed to increase their capital only slowly. That constraint was one of *the weapons used by SAMA* to force the saudiization of the 10 resident banks.

By the end of 1980 all but the three smallest of the 10 had been saudiized — becoming joint stock companies 60 per cent Saudi-owned, with 40 per cent held by the original foreign parent. Only after saudiization was expansion allowed, but at a rate which kept the new saudiized banks well behind *the two* 100 per cent Saudi-owned giants, National Commercial Bank and Riyad Bank.

Saudi American Bank, the next biggest, still has a capital of less than $100m. The Saudi French Bank (Al-Bank Al-Saudi Al-Fransi) has been denied a request to double its capital to a similar amount.

While such constraints may *have averted the banking and* money market crises experienced elsewhere in the Gulf states, the penalty has been an overflow of business into areas beyond SAMA's legal control. In practice, SAMA has been able to use its *global financial* muscle to influence Saudi-related banking in Bahrain and other world money centres. For years it has given the local Saudi money-changers free licence to pursue foreign exchange activities, even to hold deposits and make loans.

But it seems that most of their services as an overflow banking sector are no longer required. After years of deliberation SAMA has *moved to rein them in,* requiring them to apply for licences, keep reserves, stop their deposit activities and concentrate on foreign ex*change transactions.*

SAMA also has plans to merge the three remaining foreign banks into a single saudiized bank, reducing the number of licensed banks in the country from 13 to 11.

And yet the majority of the *financial sector is completely* beyond the influence of the banks. Most major investment is financed by the Government. The Saudi Basic *Industries Corporation* (Sabic) and other government finds take care of 60 per cent of the major new industrial projects, foreign partners *fund another* 30 per cent, allowing the banks a 10 per cent share of the finance package if they are lucky. With smaller private industry funded up to 50 per cent by the Saudi Industrial Development Fund, and agricultural projects aided by the Agricultural Bank, only top-up finance is generally sought from the banks.

Saudi Investment Banking *Corporation (Sibcor),* a consortium of foreign and local banks, is the obvious alternative for medium and long-term project credits, *leaving only the more risky,* quick-return investors knocking at the door of the commercial banks.

In spite of these constraints actual growth of the banks, in terms of deposits, has continued at a phenomenal rate. The major areas of banking business have been import *finance,* foreign exchange, contract finance and project *guarantees.*

For many of these activities there is no longer any need to depend on the greater sophistication and *better communications of the* Bahrain OBUs. SAMA may be right in feeling that banking services in Saudi Arabia have now reached an *acceptacle equilibrium and* that some of the loopholes need tightening up.

That could coincide with a general tightening of the economy. Saudi Arabia is no longer pumping 20 per cent more oil than it needs to finance its development. The oil glut has allowed it to *reduce production* to a little over seven million barrels a day from over nine million b/d. Although development spending will continue, *budgeting* is likely to be tighter. That may, in turn encourage local companies to look for private work and private finance, rather than *relying on* government spending.

The capital market in Saudi Arabia is hardly more than embryonic. About 150 companies are *publicly* quoted, including the joint stock banks, electricity connglomerates and cement companies. Nevertheless, there has *been* a *huge* demand for some of these shares, particularly bank shares, and a secondary market has developed.

The Saudi as investor is emerging from his tent. Some of the banks have experienced huge demands for shares in dollar denomi*nated investment funds.* SAMA has commissioned several studies on the feasibility of opening a stock exchange on the lines of the Kuwait and Jordanian models.

The goldfish bowl nature of the Saudi financial world is reflected in the slow expansion of Saudi banking interests overseas. Unlike the Kuwait, Bahrain or Abu Dhabi *models* there *are* few active entrepreneurial Saudi finance institutions overseas. Saudi International Bank in London, 50 per cent *owned* by SAMA, is a conservative institution, whose business centres on foreign exchange, trade finance, and discreet placement of Saudi *government* funds.

National Commercial Bank has a small presence in the Far East, Riyad Bank has *small shareholdings in consortium* banks in Europe and North and South America, but in no sense are they taking the world by storm. The most active Arab consortium bank, the Bahrain-based Arab Banking Corporation, *has no Saudi shareholding.*

Only the privately-owned Al *Saudi Banque, based in Paris,* has something of the spirit of the more adventurous Kuwait and Bahrain institutions.

A Special Correspondent



Dish-dashas and the gas-guzzlers of Detroit. With petrol-pump prices among the world's lowest, Saudis can afford to run large American cars, as shown in this scene at the offices of the Saudi Investment Banking Corporation in Jiddah.



Floor of the Kuwait Stock Exchange. The country is increasingly taking an adventurous role in international finance, as exemplified by the purchase of Santa Fe International

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the Bahrain economy's main assets. The Bahrain Government's own four-year spending programme concentrates on developing industry and *services, building houses and* modernizing agriculture.

The *offshore* banks continue to make ends meet with their cocktail of activities from pure treasury operations, lendings, syndi*cations, financing* trade related to their home countries, and project guarantees. *Above all, they* provide the banking services required by Saudi Arabia but not available there because of the limitations on Saudi domestic banks.

One of the OBUs' original aspirations, to develop *a* sophisticated market in Gulf currencies, has met with obstacles to successs *in view* of the other Gulf states' concern to retain their own liquidity. Kuwait began the trend *some* years *ago* by making it less attractive for Kuwait banks to lend the Kuwait dinar to the OBUs; the UAE followed suit last *year and Oman in early* 1982. Regional currencies represented $9,900m of assets in September 1981 and liabilities of $11,500m out of total assets/liabilities of $46,400m, a declining proportion compared with $8,500m of assets and $9,600m of liabilities out of $33,700m 12 months previously. On the other hand, Arab-world general activities *have maintained an exactly* steady position; they account for assets of $23,500m and liabilities of $31,600m out of the $46,400m as of September, compared *with* assets of $17,200m and liabilities of $21,800m out of the total $33,700m the year before. The figures for November 1981, *just released,* give the OBUs total assets of $49,000m, a 32 per cent rise on the end-1980 and a considerable greater growth rate than in the *slow* year of 1979.

*New developments in bank*ing and finance-related sectors were numerous on 1981 and the current quarter of this year. More representative office licences were granted including another to a Japanese bank which will *join a large community of* Japanese representative offices and institutions — two of Japan's leading securities brokers have a presence, reflecting Gulf investors' growing interest in the Far East markets. Turkey made *its entry on the scene* with an OBU licence. Commodity brokers as a profession came under organized supervision by the authorities for the *first time.* Arig, the giant $3,000m reinsurance company set up by Libya, Kuwait and the UAE, was ceremonially opened in October and aims for a *premium* income of $100m in 1982.

One of the most innovative trends, however, has been *the creation of new local and* joint-venture specialist banks which take advantage of the exempt-company provisions and provide a highly-profit*able medium for Gulf and* Bahrain investors. Of these United Gulf Bank, the first, has an authorized capital of $149m and made a *profit* of $17.2m *for its all Gulf* investors last year. Kuwait *and Asia Bank* and the Arab-Asian Bank specifically demonstrate local leanings towards the Far East - the latter became the first Bah*rain-incorporated* bank to open an outside merchant banking arm when it formed a subsidiary for that purpose in Hongkong.

Bahrain is the natural habitat for these Gulf ventures, as it was for *the bank* of the seven government Gulf International Bank and for the highly-active Arab Bank*ing Corporation,* which was rated *seventh worldwide in* lead managerships for the first half of 1981 by Institutional Investor.

Public flotations of new *companies — not only banks* and investment companies — are a procedure which Gulf governments have not found easy to regulate, however. Their shares are overpoweringly attractive to Gulf nationals, regardless of the companies' *trading or operat*ing track-record, if any. Central bankers have often expressed concern at the large amount of local capital *which these* companies tie up. At the beginning of February this year, the Bahrain Monetary Authority decided to ban for a year the *flotation of new* publicly-owned offshore banks. Four such OBUs have already been approved and the most recently floated, Bahrain Inter*national* Bank, was oversubscribed hundreds of times, as is common. Much of the money involved in such cases is from Kuwait.

Thus the OBUs on *Manama* are no longer exclusively the biggest *international names* as was the case when the experiment began in the mid-1970's. Licences and legislation are more flexible. The free transfer of *capital,* labour and property owner*ship* between Gulf states is one of the basic principles of the GCC's economic agreement which was worked out early this year by the Gulf's *finance ministers.* However, harmonizing all the Gulf states' existing commercial laws with the agreement cannot be expected to be *entirely problem-free.* In the long term the GCC's activity in both this and other areas of life must be beneficial to Bahrain as a long-established *regional commercial centre.*

Anne Fyfe

QATAR, UNITED ARAB EMIRATES, OMAN

Tough days ahead, but the opportunities are there

The Lower Gulf States all have similar banking environments in that domestic lending opportunities are concentrated in trade and construction, two sectors susceptible to changes in government spending policies and thus in turn to changes in oil production levels and pricing. Politically necessary low interest rates are again common and combine with narow areas of opportunity to cause a curious combination of outwards-draining capital and sometimes highly-liquid, under-lent banks.

Qatar's case illustrates the effects both of budgetary stringency and low interest rates. Oil output was reduced in 1981 to 360,000 bpd from previous levels of about half a million barrels per day and the immediate future for prices is not bright. The latest budget, for the 18 months October 1981 to April 1983, imposed a 7 per cent reduction in total expenditure (8,362.6m Qatari rials) from the previous 12-month allocation.

Interest rates in Qatar are the lowest in The Gulf, ranging from just 3 per cent on seven-day deposits to 6½ per cent for maturities of over 12 months. Lending rates are between 7½ and 9¾ per cent. Since the end of 1980 these have been fixed by the Government and not by gentleman's agreement as before. With the great differential between these and international rates and the lack of spectacular opportunities in Qatar, capital has sought homes abroad.

Talk today however is dominated by the huge North Dome gas utilization scheme and its potential spin-off value. Capital costs are already estimated to be in excess of $6,000m. Two foreign partners are to be given a 20 per cent stake in the project between them.

Other sources of contracts will continue to be residential, office leisure developments centred on the newly-reclaimed West Bay, now called New Doha, major extensions to the cement plant at Umm Bab and a women's hospital. Banking activities are not stagnant, in fact; the consolidated balance sheets of Qatar's 13 banks grew 26 per cent in the first half of 1981, though some are thought to be highly liquid.

Qatar has some of the world's largest reserves of natural gas, which it uses to produce ammonia and urea at the Umm Said fertiliser plant (above). It has also diversified into iron and steel, petrochemicals and cement.

Cut in foreign branches

Like Qatar and Oman, the UAE has a mixed foreign and local banking community but the UAE's peculiarity has long been the numerical dominance of the foreign banks. Thus the decision by the Central Bank last August to reduce the number of branches foreign banks are permitted to eight each was the major event of recent times.. Of the emirates' 49 commercial banks, 28 are foreign and nine of these, including the British Bank of the Middle East, Chartered, Arab Bank and the Habib Bank, will have to close a total of 89 of their existing 222 branches by the end of 1983. A few have already begun to comply.

Representative offices of new foreign banks are still welcome, however, especially from countries not well covered at present, and Japan and West Germany have already taken advantage of the renewed invitation.

The UAE Central Bank, now 15 months old, has also been busy establishing its authority in other important areas. In a measure to protect domestic liquidity, dirham lending to non-resident banks (principally in practice the Bahrain OBUs) was penalized last year when banks were obliged to lodge 15 per cent of such dirham lendings with the Central Bank interest-free; this pushed up the cost of dirhams in Bahrain and went some way to curbing outflows. Small rises in interest rates, adjustments of the dirham exchange rate and the selective offering and withdrawal of dollar swaps have been used to the same effect.

The Bank reminded the community last year that under the Central Bank law, all banks must eventually have a minimum capital of 40m dirhams, a move which has already led to the recapitalization of the Bank of the Arab Coast, one of the UAE's smallest, from 5m dirhams to 100m dirhams. A more complex and difficult measure has been the attempt to regulate the fashionable publicly-owned new investment companies, which in other Gulf states have shown an intractable tendancy to indulge in paper-only operations, Minimum capitalization and strict management criteria and above all share-dealing restrictions have now been laid down, but elsewhere in The Gulf such attempts have proved notoriously hard to enforce.

The financial atmosphere in which the banks find themselves in 1982 is one of budgetary stringency as far as federal spending is concerned, with some opportunities from the larger emirates' own spending programmes. For 1982 the federal budget will be in the region of 22,000m dirhams against 26,000m last year. In the northern emirates, by and large, construction is not brisk and trade is rather slow, especially the re-export trade with Iran which has disappointed hopes. Several bigger local banks are looking to expand their overseas networks, particularly in the Far East.

Symptoms of a boom

Sharjah, however, long a Euromarket borrower, is attracting interest as a result of gas and oil finds at the end of 1980. The development, transportation and processing of the gas and oil plus the use of the revenue are all potential sources of opportunities. Abu Dhabi, as usual, continues to show the symptoms of a booming economy in very high rents and prices and full hotel rooms. Oil field development and new exploration provide the main contracts which generate these conditions, along with defence spending.

The National Bank of Abu Dhabi, already by far the largest UAE bank by most definitions, increased its authorized capital from 100m dirhams to 600m dirhams. NBAD became the first Arab bank in Washington when its subsidiary, Abu Dhabi International Bank, received full branch status there last May.

Oman's dramatic construction boom, fuelled by the activities of the US Corps of Engineers, started inevitably to level out somewhat in recent months but the general level of activity remains high. Capital expenditure under the 1981 budget was allocated 300m Omani rials which was criticized as over-expansion by the IMF. Both 1982 spending and the second five-year plan (1981-85) in general may be affected by declining oil prices in the immediate future. Output is fixed at 330,000bpd but Petroleum Development Oman announced a record development budget of $600m last year and other companies have signed concession agreements recently.

The sultanate's seven local and 13 foreign commercial banks are heavily involved in the import trade, which takes fully 53 per cent of all lending, and in construction, which takes 19 per cent. Consolated balance sheets grew steadily to 576m Oman rials in June 1981, compared with 468.6m rials 12 months before. A specialised Agricultural Bank was created in 1981 to join the two existing banks, Oman Housing Bank and Oman Development Bank.

Although military facilities are providing many good contracts both in Oman and other Gulf states, weapons purchases and other defence-related needs are absorbing an ever-greater percentage of budgets in this part of the world, a trend which is bound to continue. Coupled with the effects of dipping oil prices, this means that neither private nor public-sector spending is expected to be very high in the coming months and banks will be more inclined as a result to look to international operations for their profits.

Anne Fyfe

ALGERIA

No problems in raising funds

With its huge development programme for the 1980s, Algeria may well need to resort to world money markets for cash as it did in the last decade. Three years ago, Algeria was one of the international banks' biggest customers and with the country's excellent debt repayment record, many banks will naturally be looking for lending opportunities there.

When it does return for funds, the country should have no difficulty in raising them. In fact, Algeria rates so well with international banks that its creditors last year agreed to lower the interest on its biggest single loan — $500m raised in 1979.

Rather than increase its vulnerability to the whims of western creditors, Algeria has preferred to consolidate existing investments and to fund, as far as possible, investment needs from domestic resources. The current five-year plan (1980-85), allowing for total expenditure of some $104,000m, lays particular emphasis on reducing external indebtedness, which has come to be regarded as mortgaging the country's independence. As the National Charter — the textbook of Algerian socialism — says: "Financial independence is the guarantee of security of employment and the continuity of economic and social development."

Foreign borrowing has thus been limited mainly to export credits which, at a fixed rate of interest, are much cheaper than commercial loans. Because of Algeria's long-term prospects as an export market for industrial countries and these states' corresponding zeal to gain, or strengthen, footholds there, Algeria has had no difficulty in obtaining export credits from them.

About half its external debt (of which the disbursed portion was estimated at $17,800m at the end of 1980) is in export credits, a factor which considerably reduces the debt service burden. West Germany, France and Italy have been the most generous providers of credit but large amounts have also been received from the United States, Canada, Japan and Belgium, among others.

Concessionary finance seems abundantly available as the rush to provide help for the reconstruction of El Asnam, destroyed by an earthquake in 1980, amply demonstrates. Britain's Export Credits Guarantee Department (ECGD), for example, is discussing possible provision of a large credit to finance housing contracts in Algeria and similar packages are being negotiated with other countries.

Algeria's absence from the Euromarket where, in 1978 and 1979, it borrowed more than $5,000m in loans and bonds and became a household name for a broad spectrum of banks and other financial institutions, means that many international banks are out of fingertip touch with what is happening there. No longer called on to provide loans, foreign bankers have reduced their visits to Algiers and speak with less authority about the level of Algeria's oil and gas revenues, its debt servicing or future financing needs — all issues which at one time kept the banking circuits buzzing.

They do know, however, that Algeria has an impeccable repayment record. Its debt servicing of $4,200m in 1980 and an estimated $4,600m in 1981, was paid promptly. Banks tied up in the complex rescheduling of Poland's external debt and other such international headaches, must be relieved that at least one big borrower has no problems in meeting commitments.

Though sure that Algeria will not need to borrow on the international financial market in 1982, the big banks are understandably keen to keep their channels of communication open. The renegotion of the $500m loan late last year was an indication of both sides' wish to maintain a dialogue. The refinancing took place because the end of the loan's availability period was fast approaching but none of it had been drawn down. Though not needing the funds immediately, Algeria foresaw an eventual requirement and thus wanted to keep its options open.

The country's ability to do without foreign finance is due partly to the enormous improvement in its revenue prospects. Oil and gas income was 8 per cent lower in 1981 than the government forecast. But at about $13,000m it was still 20 per cent up on 1980 earnings and the outlook is for sharp growth. The start of gas deliveries to Italy through the now-completed Algeria-Italy gas pipeline, and of increased sales to France this year, will boost earnings considerably and compensate for oil output cuts and the cancellation, in February 1981, of the major natural gas export deal with El Paso of the United States.

State expenditure, though forecast to grow by some 25 per cent in 1982, is rising more slowly than in the late seventies. The government's spending programme for education, social services and housing is vast, but there has been a sharp cutback in outlay on single large industrial plants. At least three planned gas liquefaction plants — involving some of the world's costliest technology — have been shelved in favour of natural gas export by pipeline.

Improved internal economic management is also helping both to reduce costs and to improve the international community's confidence in Algeria's ability to cope with some of the big challenges it faces. The unusually high population growth rate and consequent strains on public services, as well as the state's heavy reliance on food imports, are causes for concern. But the major restructuring of the economy, through a shift in investment options and reorganization of many state companies and institutions, including the banks, is paving the way for these obstacles to be tackled.

In a Cabinet reshuffle on January 12, former home affairs and finance ministers Boualem Ben Hamouda and M'Hamed Yala swopped jobs. In their new capacities, the two should be able to share their expertise and increase coordination between the country's internal and external financial policies.

Margaret Greenhalgh

ATHLETICS

League demands one body for athletics

By Norman Fox, Athletics Correspondent

Nigel Cooper, the new British Amateur Athletic Board general secretary who takes up his appointment on May 4, will arrive from Australia to face an immediate demand that the board be disbanded. The British Athletics League yesterday came out strongly in favour of combining all of the various bodies now organising athletics in Britain.

The idea of a single governing body has been put forward many times but always been opposed by the individual administrative associations who wish to retain their autonomy. However, polls of athletes have indicated that the present system is not satisfactory.

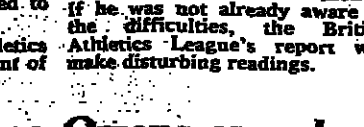
After studying the structure of the sport, the British Athletics League concluded that a major change was necessary. In a report issued yesterday the league said that one governing body should be formed and the board be removed. A United Kingdom association would incorporate the Amateur Athletic Association, Welsh, Scottish and Northern Ireland Associations and the Womens Amateur Athletic Association.

The statement said: "Surely it is out of date that separate organisations for men and women should continue to exist when nearly all clubs are mixed. Surely the answer is for the Women's AAA to merge into a United Kingdom association with perhaps the establishment of a women's commission as an advisory body."

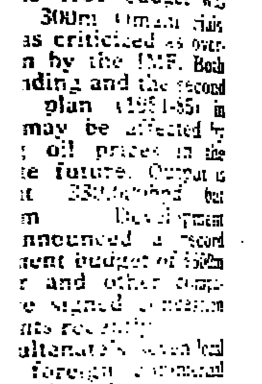
Pointing out that the board came into being for no other reason than to represent the UK at international level, the league says that it should be dissolved and its functions transferred to the new association.

Last year the British Athletics League found that 80 per cent of clubs who answered a questionnaire wanted a single United Kingdom organisation. The result was interpreted as meaning that the athletes were not only unhappy with the unwieldly administration but felt the various bodies were unlikely to cope with the movement towards a form of "open athletics". Since then the AAA appears to have grown stronger in terms of dealing with the new eligibility rules and the arranging of fixtures while the board has lost David Shaw its outstanding administrator.

Mr Cooper who was appointed as Mr Shaw's successor, is still in Australia where he is registrar of a college in Brisbane and he is a Commonwealth Games administrator. He will arrive in Britain towards the end of next month. If he was not already aware of the difficulties, the British Athletics League's report will make disturbing readings.




Coe wins Jesse Owens award



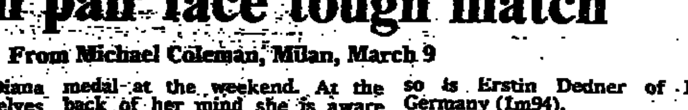
New York, March 9. — Sebastian Coe was named yesterday the first winner of the Jesse Owens award as the world's outstanding amateur athlete in 1981.

Coe, the Olympic 1,500 metres champion and world record holder of 800 metres and the mile, will come to New York to receive the award on March 18, the sponsors said.

Coe was an overwhelming choice for the award, receiving 50 first-place votes in a worldwide ballot of sports journalists and authorities.

Americans Ed Moses, the world 400 metres hurdles record holder, and sprinter Evelyn Ashford each received six votes but Moses came second with more second-place votes.

Mary T. Meagher, the American swimmer and Olga Bicherova, the Soviet gymnast, each received one first-place vote. The award is named after Jesse Owens, winner of four gold medals at the 1936 Berlin Olympics, who died two years ago. — Reuter.

British pair face tough match

From Michael Coleman, Milan, March 9

Wendy Hoyte and Diana Elliott, who excelled themselves in last weekend's European indoor championship, face another tough challenge in a gala night of athletics when Europe's best take on the top Americans. To great surprise, no women arrived with the United States team but Hoyte and Elliott will have enough to cope with.

The main task forHoyte is to hold off Lyudmila Kondratyeva (USSR), from whom she snatched the 60 metres bronze medal at the weekend. At the back of her mind she is aware that she has been away from her job with Abbey National for a week: "I hope someone remembered to tell them," she said.

It will be a bit tougher for Miss Elliott, whose excellent 1 metre 94 high jump last Sunday got her fifth place in the championship.

Andrea Bienas, the well-rounded East German, whose 1m99 gave her the silver behind Ulrike Meyfarth, is on show again and so is Erstin Dedner of East Germany (1m94).

The 25 lonely American men, among them Mel Lattany, ranked second in the world last year, and Larry Myricks outjumped only by Carl Lewis, was surprised too that no women accompanied them.

It emerges that their main reason for crossing to Europe is to take on England at Cosford this weekend, and it appears that the invitation that went out from Britain did not request women.



Crawl to the top: Ron Fawcett on Dinas Cromlech, Wales

ROCK CLIMBING

The climber at the peak of his career

By Ronald Faux

As plumbers plumb, painters paint and professional pianists play, so Ron Fawcett climbs rocks. It is his job. His business notepaper is headed unequivocally "Ron Fawcett, Rock Climber" and it would be a bold soul who claimed to be better at that fiercely competitive activity.

What decided Ron Fawcett to turn professional was probably his experience of climbing in Germany, where commercialism is strong enough to give a full-time living to a number of top class rock climbers. "At one international get-together I was invited to, there were 6,000 spectators below the crag," he explains. "It was like a football crowd. I said I'd have a go at a particular overhang and the next I knew was the loudspeakers blaring out that Herr Fawcett will try the Blue Roof. There was a stampede to the bottom of the route. Jill could hardly get through to hold the other end of the rope for the crush of people and television cameras. That kind of interest made me think".

He claims to be the only full-time professional climber of rocks in the country. There are plenty of mountain guides and mountain explorers who climb rocks on their way to a summit, but the wider adventure is less interesting to him. Rocks are the thing, and the more overhanging and barren of holds they are, the better. He does not guide people up them but simply climbs them as a spectacle for television with the style of an authentic spiderman, to test and demonstrate climbing equipment, to have something to write about, and because he is incurably addicted to extending the adhesion limit between boot tips, fingers and holds.

He is an amiable, gently spoken man aged 26, very tall with an immense reach that surely puts him well on the way towards the top of many of the gritstone outcrops surrounding his home near Buxton in Derbyshire. He gave up teaching to become a professional climber, which in his case is no life of ease.

Remaining at the top of his solitary profession demands a rigorous daily training programme.

The result is a physique of extreme lithe power — half the battle in becoming a top class rock climber. Equally important is the mental attitude, the technical skill to work out a complex series of moves, and then the commitment and agility to make them. "I know that if I fell off soloing (climbing without a rope) on something quite extreme I would probably die. But I put that thought completely out of my mind."

Not that his career has been fall-free. His wife, Gill, who is a graduate in pure mathematics and also a keen rock climber, has held many of Ron's spectacular plunges. "I weigh 12 stone 4 lbs, and Gill's a lot less, so that if I fall off and she's holding the rope the force often lifts her off the ground. Sometimes she ends up higher on the crag than me."

By committing himself to harder moves on rock than most, Ron Fawcett has pushed the standard of British rock-climbing from the sixth grade, previously the highest degree of difficulty, into the seventh. Strawberries, his fearsome route at Tremadoc, Atomic Hot Rod on Dinas Cromlech, Pirana and Cool Handed Luke on Water-cum-Jolly are his most extreme contributions.

"I don't know a sport like it", he says. "You are setting yourself against something that is permanent and fixed, not like football or games that rely on teams and rule books. It is just you and a nice warm lump of solid rock. There is no sport either that demands such incredible stamina just to remain absolutely still and safe on the tiniest holds. Really the difference between staying on and falling off is so incredibly subtle."

There is also a growing popularity in Britain for climbing spectaculars, a wealthy enough industry serving the sport and documentaries about climbing. He has appeared in tweeds and plimsols in the part of H. M. Kelly, the northern climber whose guide books were regarded as the epitome of lucid English. The programme was to illustrate a middle English school course. Ron Fawcett's next assignment will be on the North Wall of the Eiger acting the part of the late Dougal Haston in a film that is to be actually made on the face itself. It will be Ron Fawcett's first alpine route — a big impressive mountain he conceded, but really not to be compared to the overhangs and tiny razor blade holds.

RUGBY UNION

Durham looking for revenge

By John Clemison

Durham University, the defending champions, could hardly have chosen tougher opposition than Exeter University in this afternoon's final of the UAU championship at Twickenham. The Northerners are contesting their 13th final and are widely expected to take the title for the sixth time, but Exeter are one of the few sides to puzzle them in modern times and Durham have lost twice to them since the Devon side amalgamated with St Luke's College.

Yet Durham, who have scored 120 points in their last four UAU matches, should gain their revenge for their recent defeat. Much depends on the fitness of Chesworth, their most successful kicker, who is included in the team despite a recent shoulder injury. Although Durham are without Gordon who is still injured, the combination of Clough and Bruce-Lockhart in the centre could well be Exeter's undoing.

Even so, in what should turn out to be a high scoring game, Durham dare not under estimate Exeter, who have run up 270 points already in this season's competition.

Given the right conditions, the Exeter scrummage is as powerful as any university side's and they have a versatile and effective flanker in Thornley.

The game has all the makings of a classic encounter, worthy of a UAU final.

DURHAM UNIVERSITY: G R Halsey (Abingdon), M D Bailey (Ipswich School), D Bruce-Lockhart (Gresham's School, Holt), F J Clough (St Johns Rigby, Wigan), T Griffiths (Millfield), N B Chesworth (Gresham's School, Holt), C Wheatman (Kendal GS), C J Alcock (Sevenoaks), F J Timmons (Wimbledon College), S K Henderson (Latymer Upper), H Nicholson (Nunthorpe GS), C Godwin (Castle CS, Thornbury), D Rose (Pocklington), J M Phelan (Alberta HS and University of Alberta), J F Elison (St Peter s York) (captain)

EXETER UNIVERSITY N V Marmont (Lockleaze School), R P Sumner (Sudbury Upper), S T L Bailey (Queen Mary's College, Basingstoke), S T Hogg (Bristol GS) (captain), P R A Drewett (John Fisher HS), V W P Thomas (UCS, Hampstead), R J Hill (Bishop Wordsworth's School), D M B Sole (Glenalmond), D C S Everall (Adams GS, Newport), J N Walker (Hookergate GS), M C F Pinnegar (St Boniface's College, Plymouth), P R Harrison (Cedars GS, Leighton Buzzard), D H Mumby (Haydon School), P T Thornley (Ernest Bailey GS), M J Lynch (Dynevor CS, Swansea)

☐ Jonn O'Driscoll, the Irish international plays for Westminster for the first time this season in the Hospitals Cup final against St Mary's at Rosslyn Park today. Injury has kept him out until now and he will be at number 8. He is the only survivor of the last Westminster team to win the Cup in 1975. There is a slight doubt about Pritchard, the right wing, because of a shoulder injury.

Jackson, of Harlequins, is at number 8 for St Mary's. He missed the semi-final with St Thomas. St Mary's have won the Cup for the past four years. In two of those finals they beat Westminster: 49-0 (after a 3-3 draw) and 23-3. It is bound to be much closer today. St Mary's are not so obviously strong as they were.

TEAMS: St Mary's: J Miles, A Thompson, R Harvey, M Greenhalgh, S Wright, M Dixon (captain) G Paige, M Preskey, E Lewis, P Enevoldson, S Patterson-Brown, P Samson, C Hasley, M Walsh, P Jackson.

Westminster: P Green wayn, P Pritchard, P sherples (captain) C Hammersley, A Bunting, J MacAulay, J Brown, L Gould, V Nichols, C Wilson, P Davies, R Thomas, R Bolton, A Stephenson, J O'Driscoll.

Scotland keeps winning team

Scotland's selectors showed their approval of last weekend's 16-7 win over France by naming an unchanged side to meet Wales in Cardiff on March 20. That brings the Scots to the end of the 1982 international championship in which they can still finish joint runners-up with England.

They have used only 17 players and the changes were forced on the selectors when David Leslie broke his leg before the Irish match in Dublin.

The Cardiff match may prove to be the last international for several Scottish players. Jim Renwick, the world's most capped centre with 46 appearances, will not be available to tour Australia this summer.

Andy Irvine, captain of the side for the 13th time on his 49th appearance, will be 31 when the new international season starts in January. Already there is a substantial lobby for Peter Dods to be given a chance.

Among the forwards, age is rapidly catching up with pack leader Jim Aitken, aged 34, Bill Cuthbertson, 32, and Alan Tomes, 30.

Authorized Units, Insurance & Offshore Funds

This table is published on Wednesday and Saturday

Authorized Unit Trusts

1981/82 High Bid	Low Offer	Trust	Bid	Offer	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Offshore and International Funds

1981/82 High Bid	Low Offer	Trust	Bid	Offer	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRICKET

TCCB consider Northants plan to ban the rebels

Pressure to ban the English players on a tour of South Africa mounted yesterday with the Test and County Cricket Board's decision to take Northamptonshire's hard-hitting proposal into their crisis meeting on March 19. The English ruling body were also given a lead by S K Wankhede, the Indian Board chairman, who left the future of their tour to this country in the summer dependent on the TCCB's attitude to the players in South Africa.

Northamptonshire's proposal calls for the cancellation of the registration of both English and South African players involved in the venture. It would appear legally impossible to implement, but the Board, although not discussing the proposal in any great depth at their spring meeting yesterday, said it will be part of a legal paper sent to the counties before March 19.

Peter Lush, the TCCB spokesman, said: "The implications were fully understood. We are looking at this with our legal advisors and the whole problem in general and a decision is expected at our special meeting." Mr Lush reiterated his stern warning that some counties could "go to the wall" if this summer's tour by India and Pakistan were cancelled.

The Board estimates that each county will lose in excess of £100,000 and the game in general from £1.5m to £2m. Mr Lush added: "Our great concern was expressed over the ramifications the South African tour could have on international cricket and the effect it could have on the employment of players in this country. Cancellation of these tours would be a crippling blow to the game. "We must do all we can to encourage cricket on a multi-racial basis."

Mr Wankhede said: "The England players who have gone to South Africa have let everyone down. They gave an assurance that they would not play in South Africa and they have broken their word. The India tour of England depends on the TCCB's attitude.

"They must take action against the rebel players. They have always done so in the past. When the England tour of India was proposed, an assurance was given that there would be no South African connections.

"These players who have gone to South Africa may not want to play for England again. It was difficult enough when there were individuals involved but now with this situation, things are really hotting up."

Mr Wankhede intimated at the meeting that the tour could be off, but Mr Lush added: "He expressed his views, but it was an informal meeting." Pakistan, like all the other Test playing nations, have been consulted by the Board on the matter which threatens to decimate international cricket.

If the two tours are not ruined, new over rates are set to be introduced. Following the slow cricket on the recent tour to India—just over 12 overs averaged per hour—a minimum of 96 overs per day has been agreed in principle with both countries.

Mr Lush said: "The general decline of over rates in Tests at home and overseas is becoming more worrying than ever. It is essential for the future and prosperity of cricket to substantially increase the number seen in Tests today. I expect this 96-over minimum to be ratified shortly."

The Board agreed 100 overs per day minimum with Australia for last summer's Ashes series, but shortly before the opening Test Kim Hughes, the captain, and Fred Bennett, the manager, scotched the plan and each day's cricket was allowed to take its normal course. Mr Lush added: "Of course, any system has an inherent weakness, but we consider this to be a major breakthrough".

Peter May was confirmed as chairman of the England selectors, and is joined by Alec Bedser, head of the panel since 1969, Norman Gifford and Alan Smith.

Pakistan's captain builds lead of 330

Karachi, March 9 — Pakistan were happily placed with a commanding 320-run overall lead at the end of the fourth day of the first Test against Sri Lanka here today. At close of play, the hosts had reached 268 for three, with Javed Miandad, the captain, and Saleem Malik, who was making his debut, near their centuries.

Together they had put on 161 for an unbeaten fourth wicket partnership with Miandad only eight short of his eighth Test hundred. Saleem Malik, who captained the Pakistan under-19 to Australia last month was on 79.

Pakistan had a 68-run lead when Mansoor and the nightwatchman, Iqbal Qasim, resumed at an overnight 16 for one and cautiously added 38 in the first hour this morning.

Mansoor fell to a sharply turning ball from Somachandra Desilva as Mendis held an easy catch at first slip with the score 53. Saleem Malik joined Iqbal Qasim and the two cemented Pakistan's position, with lunch being taken at 95 for two.

Iqbal Qasim completed his maiden Test 50 in 118 minutes with four boundaries. The lefthander fell trying a half-hearted pull off Desilva after hitting 54.

The arrival of Miandad quickened the scoring rate and he added 90 runs in as many minutes with Saleem Malik between lunch and tea.

After tea, Miandad went for the bowling and the tourists' attack was further depleted because Ratnayake, coming on for his second spell of the day, twisted his ankle and left the field.

Saleem Malik and Javed Miandad continued batting without any difficulty and in the second last over of the day, Miandad sent de Mel for three successive fours to move on to 90. Saleem Malik was equally enterprising and repeatedly earned applause from the modest crowd for his solid defence and attractive strokes.

PAKISTAN: First innings 396 (Haroon Rashid 153, R Khan 59; De A L F de Mel 5 for 131).

Second innings

Rizwanuzzaman, c Gunatilleke, b de Mel	10
M Akhtar, c Mendis, b S Desilva	23
I Qasim, c Subs, b S Desilva	54
S Malik, not out	79
J Miandad, not out	93
Extras	8
Total (3 wkts)	268

FALL OF WICKETS: 1—16, 2—53, 3—107.

BOWLING: A de Mel 23.2—5—100—1, Ratnayake 5.4—3—20—0, D S Desilva 23—5—78—2, Ajit Desilva 33—5—6—0.—Agence France-Presse.

SRI LANKA: First innings 314 (S Wettimuny, 71; Jahir, 5 for 83).

Batting problems for the English

The English cricketers have run into batting problems for the first "international" against South Africa, starting in Johannesburg on Friday.

Of their six recognized batsmen only Graham Gooch and Dennis Amiss have found any form since the tour began a week ago. Geoffrey Boycott has accumulated only 49 runs from four visits to the wicket, once not out, and Wayne Larkins has scored 46 for four times out.

Despite spending the winter in South Africa, Bob Woolmer looks sadly out of touch: Peter Willey has stomach trouble. So it was left to Gooch and Amiss yesterday to rescue the side as they chased Western Province's 263 for eight declared at the Newlands Ground, Cape Town.

Amiss was the key figure in the morning, scoring 52 after a collapse to 72 for three. After lunch, when three wickets fell while one run was scored, Gooch lifted the 4,000 crowd to their feet with another display of power batting. In 72 minutes he rattled up 58 with four sixes and six fours.

Alan Knott chipped in with 27, but there was little else to cheer in the all out 219, a deficit of 44. With eight and a half hours' playing time left at that stage, the prospects of a tight finish to this "warm-up" game were good but then both sides inexplicably took the edge out of the competition.

Western Province asked the coloured player, Omar Henry, to open the batting, although he is better suited for a middle-order slog: after he was out for six, Steve Jeffries, who batted at nine in the first innings, was sent in.

The English, for their part, proved how badly the tour is being handled, by fielding their manager, Peter Cooke, because neither Derek Underwood nor Les Taylor could be found to act as twelfth man for the injured John Lever.

Then, late in the day as the South Africans moved to 97 for 2 by the close, Boycott, the English captain, called upon the rarely seen bowling services of Larkins and Geoff Humpage, the wicket keeper.

That must have been heart-breaking for Chris Old, who having taken two wickets for ten runs in eight overs saw his efforts devalued. A lead of 141 to Western Province with a full days' play left may yet yield a result, but yesterday's events will hardly help the tour gain serious recognition outside South Africa.

World ban call: The English cricket team should be boycotted throughout the world if any of the players currently touring South Africa are included, the chairman of the United Nations Special Committee against Apartheid said in London yesterday. Mr Alhaji Yusuff Maitama-Sule plans to raise the issue when he sees the Foreign Secretary, Lord Carrington, tomorrow.

Woolmer, who joined the touring team on Monday, was featured in South African newspapers as giving the frankest comments of any player so far on the politics surrounding the tour. One quoted the 33-year-old Kent player as saying: "I'm adamant that cricket is multi-racial in South Africa, and that it warrants international status again." Another had him saying the international blacklist of persons who have played in South Africa was "a disgrace."—Agencies.

WESTERN PROVINCE: First innings: 263 for eight dec (A P Kuiper 90; J E Emburey, 3 for 88).

Second innings

L Seeff, not out	48
O Henry, c Knott, b Old	6
K S McEwan, c Knott, b Old	34
S Jefferies, not out	5
Extras (l-b 2, w 1, n-b 2)	5
Total (2 wkts)	97

R F Pienaar, P N Kirsten, A P Kuiper, S D Bruce, T A Clark, J During, and D L Robson to bat.

FALL OF WICKETS: 1—21, 2—26.

BOWLING: Old, 8—5—10—2; Hendrick 7—2—13—0; Gooch 7—1—22—0; Emburey, 8—3—24—0; Larkins, 4—0—16—0; Humpage 3—0—6—0.

ENGLISH XI: First innings

G Boycott, c Clarke, b Jefferies	20
W Larkins, b Jefferies	24
D L Amiss, b Hobson	52
R A Woolmer, lbw b Hobson	2
A P E Knott, lbw b Jefferies	27
G A Gooch, c McEwan, b Clarke	58
G Humpage, b Hobson	1
J E Emburey, c Kirsten, b Clarke	13
C M Old, not out	5
M Hendrick, b Hobson	1
Extras (b 6, l-b 4, n-b 5)	15
Total (9 wkts)	219

J K Lever did not bat

FALL OF WICKETS: 1—45, 2—52, 3—72, 4—133, 5—133, 6—134, 7—202, 8—213, 9—219.

BOWLING: Jefferies, 19—5—47—3; Kuiper, 5—0—15—0; Pienaar, 11—4—24—0; During, 5—2—7—0; Hobson, 21.1—8—37—4; Henry, 8—3—34—0; Clarke, 1—1—30—2.

Umpires: D School and A Maasch.

Break with tradition

The Royal International Horse Show will break Wembley tradition this July by running from Tuesday to Sunday (July 20-25). The show normally runs from Monday to Saturday, but the committee hope that the switch will give more people a chance to see the events.

GYMNASTICS

Springtime in the Garden

A new bud bursts forth in Madison Square Garden. Zoya Grantcharova, an exotic from Bulgaria, burgeoned into the choicest bloom, along with the home-grown Julianne McNamara, in the American Cup gymnastics contest in New York. The Bulgarians work on the beam looks as back-breaking as gardening—with a pneumatic drill—at Madison Square.

ROUND-UP

Extra time for Hereford?

Darlington, who had said they needed to find £50,000 by mid-March to survive, have put back the deadline until the end of the month. About £30,000 has been produced by fund-raising matches and other functions and a lottery looks like contributing almost as much again.

Hereford, who owe more than £50,000 in income tax and were given until Thursday to make a substantial payment, will today consider a survival plan but seem certain to ask for more time.

● Sponsors of the San Francisco women's marathon on June 6 have received tentative approval to offer $65,000 in prize money. It would be distributed to the athletes' national governing bodies, some of whom have set up trust funds for their runners.

□ A trust fund launched after a schoolboy rugby player broke his neck two years ago has nearly met its target of £25,000 despite lack of support from the Rugby Football Union.

● The undisputed world middleweight champion Marvin Hagler may meet Thomas Hearns in Detroit on May 24. "There are a few minor details left in the contract but everything has been agreed to," Hearns's manager said.

□ Taiwan table tennis players will appear in an International Tournament for the first time in 12 years this month in Japan. They will compete under the name of China Taipei against South Korea, India and Japan.

● South American Rugby union players arrived in Cape Town yesterday for a seven-match tour amid world furore over the visit to South Africa by English cricketers. Led by an Argentine, Hugo Porta, the party comprizes 31 Argentines, five Uruguayans, four Chileans and two Paraguayans.

□ Although the full back, Paul Ford, is out of touch with his goalkicking he keeps his place in the Gloucester team for the John Player Cup quarter-final tie with Sale at Kingsholm on Saturday.

□ Gene McCarthy, the London Irish lock, has accepted an invitation to play rugby for Napier in New Zealand. He will return to London Irish for the start of their season in September.

CYCLING

Organizer is dismissed

By John Wilcockson

The British Cycling Federation, organizers of this year's world cycling championships, have dismissed John Burns, director general of the championships' organizing committee. It has also given notice to Mr Burns's Yorkshire-based public relations firm to terminate their agreement dated October 1, 1979, under which John Burns (Public Relations) was to raise the necessary sponsorship to finance the championships.

Mr Burns declined to comment yesterday. The crux of the matter is a percentage of the gate money which Mr Burns's company was due to receive from the championships, which take place at Leicester from August 23 to 29 and at Goodwood from September 1 to 5.

Under the terms of the agreement John Burns (Public Relations) was given no deadline to raise the money, and no required sum was mentioned. It is understood that about £250,000 of sponsorship money has been promised, but "that leaves us with quite a gap to close", Len Unwin, secretary of the federation said.

A total of about £500,000 is required to organize the championships. It is expected that another public relations firm will be appointed by the federation after meetings this weekend at Goodwood, where a race on the world championships circuit takes place on Sunday.

SQUASH RACKETS

Piping hot Briars

Gawain Briars, deposed as England's No 1 by Phil Kenyon, suggested again on Monday night that he is nevertheless England's leading player, Richard Eaton writes.

He took the semi-final place in the ISPA championship (sponsored by Thorntons) at Abbeydale Park, Sheffield, that the great Geoff Hunt had expected to fill.

Hunt, the holder and British Open champion, had been beaten in two hours on Sunday by Lars Kvant, the Swede who is world No 14. Briars demolished Kvant 9—4, 9—5, 9—1 in only 36 minutes. That impressive performance means Briars has a chance of reaching a final for the second tournament in a row.

He beat Kenyon and Maqsood Ahmed, the world No 4, to reach the Lookers Masters final and today takes on Maqsood again. Whether he succeeds again or not he has probably already earned enough computer points to become the only England man in the top 10.

Briars believes he is playing better because he is now allowing his squash to release his personality. He projected a steady stream of nicks and Kvant, the former Malmo footballer whose athletic prowess had been well suited to coping with Hunt's methodical style, found himself cut to ribbons.

Kvant, professed himself recovered physically but depleted mentally after his great triumph and desperately needed to win the second game to maintain his psychological buoyancy. He gave his full load to doing so and that provided Briars with his only crisis.

It resolved itself when Kvant broke a string in his racket at 5—6 and left the court. "I was annoyed at the time because I thought he was resting but I think it benefited me", Briars said.

It certainly did. Kvant's rhythm deserted him. He won only four more rallies and one more point in the match.

The other semi-final is between Jahangir Khan and Gamal Awad, and that should provide the match of the tournament.

QUARTER-FINAL ROUND: M Ahmed (Pakistan) beat R Norman (NZ) 9—5, 9—2, 9—6; G Briars beat L Kvant (Sweden) 9—4, 9—5, 9—1; Jahangir Khan (Pakistan) beat D Williams (Australia) 9—6, 9—0, 9—0; G Awad (Egypt) beat R Watson (SA), 9—5, 9—5, 9—0.

FOOTBALL

Contenders bid for 1990 stage

Algiers, March 9.—The Soviet Union, Yugoslavia and Italy are candidates to host the 1990 World Cup, the president of FIFA, the international football federation, said here today. Joao Havelange, in Algeria for a 24-hour visit, said FIFA had also received a joint proposal from Belgium and the Netherlands, but for practical reasons their application would be difficult to accept.

No Eastern European nation has ever staged the World Cup. Italy were hosts in 1934. He said FIFA's choice for 1990 hosts would be made known in 1984.

Meanwhile, Havelange said he had not received official word from Colombia, suggested as hosts for the 1986 World Cup, with eight months to go before the deadline.

Asked about artificial playing surfaces, Havelange said FIFA would be sending a questionnaire to its members on the subject before making any decisions but he added that he was opposed to such surfaces for official matches because they cause injuries.—AP.

RACKETS

Oxford have runaway win

Oxford University beat Cambridge University for the fifth year running, winning 3—0 in the annual rackets match at Queen's Club yesterday.

Leading 1—0 from the previous day's doubles victory, they clinched the match when their captain, Richard Ellis, the former public schools champion, beat Nigel Pendrigh in four games. Ellis, who hopes to devote more time to the game after finishing university, had not been on a court since last year's Varsity match.

Pendrigh, however, caused him few problems, except in the second game, when he won after a set to three. Ellis's serve was the deciding factor, producing five aces in both the third and fourth games.

James Mallinson made it a clean sweep for Oxford.

RESULTS: R Ellis (Haileybury and St Edmund Hall) beat N Pendrigh (Charterhouse and Magdalene), 15—11, 17—16, 15—7, 15—6; J Mallinson (Well. and University College) beat S Bourge (Clifton and Robinson), 8—15, 15—10, 15—3, 15—4.

FOOTBALL

A rebel may come back into the reckoning

Steve Williams, who has not played for Southampton for six weeks because of a difference with the manager, Lawrie McMenemy, may come into the reckoning for the match at Sunderland tonight. Mr McMenemy has been impressed with Williams's attitude in the reserves and is thinking about bringing him back in an attempt to improve the League leaders's indifferent away form.

"Even if we won all our home games it would not be enough to keep us on top", Mr McMenemy said. "We must pick some wins away from home."

Southampton have missed the striker Steve Moran, who comes out of hospital later this week after a back operation. Hebberd, Puckett and Wallace have all been tried in Moran's role but Mr McMenemy is still searching for the right blend.

If Williams is recalled Southampton will probably play in a 4-4-2 formation, leaving Keegan and Channon in attack. The struggling Sunderland will make at least two changes; the goalkeeper Siddall and McGinley are dropped in favour of Turner and Elliott. Fitness tests are awaited on Munro, who has an ankle injury, Brown and Hindmarch, who have knee trouble.

Sunderland's decision not to buy the striker Graham Bennett from the Northern Premier League side Bangor has sparked a row between the clubs. Bennett, who has scored 43 goals this season, scored two more when a guest for Sunderland in a friendly at Darlington last week. The Sunderland manager, Alan Durban, watched the 26-year-old player in action against South Liverpool at Bangor on Saturday.

The Bangor chairman, Charles Roberts, has claimed Sunderland agreed to pay £34,000. But Mr Durban insisted: "I never shook hands on the deal. We could not have paid what they were asking on what I saw on Saturday. I spent two hours with them before the match but I never spoke privately to the player in terms of offering him a contract".

The Shrewsbury Town captain, Jack King, and the central defender, Jack Keay, both injured during the FA Cup defeat at Leicester, have been ruled out of tonight's League trip to Derby. Leonard and Maclaren are brought into the side and the player-manager Graham Turner, restricted by injury to only one League outing this season, will fill one of the midfield positions—probably replacing the teenager McNally.

Liverpool will have a following of 36,000 when they meet Tottenham at Wembley in defence of the League Cup on Saturday. It is the largest crowd they have taken to a Cup Final, beating last year's figure by 3,000. Liverpool's allocation is 30,000 tickets. The extra 6,000 came from clubs who did not require their allocation.

Worthington will make his first appearance for a Leeds team who have not scored for nine hours 42 minutes in the home game against Manchester City. Burns has recovered from a hamstring injury and will play but Graham is out after having six stitches inserted in a leg injury. Hart will have a late test on a groin strain.

City will be without Francis, who had a recurrence of a groin strain last Saturday; his place will probably be taken by the Norwegian, Hareide. There is also a doubt about Hartford, who has been battling against a groin strain for several weeks. Although Bond could return after a two-match absence, his father the City manager John Bond, has put five teenagers on standby to step into his injury-hit team.

Liverpool squeeze the spirit out of Stoke

By Norman Fox

Stoke	1
Liverpool	5

Liverpool's remarkable away form continued with this win over Stoke City, who started the match as though they would achieve something better. As a result of this victory Bob Paisley's men move Arsenal and Ipswich Town into fourth place. Lee and Whelan completed the rout.

Not wishing to waste a game in hand over most of the leaders, yet wanting to preserve an unscathed team for Saturday's League Cup final and next week's European Cup-tie in Bulgaria, Liverpool had a right to mixed feelings about this strange match. They were still in this state of tactical indecision when McDermott surprised himself and baffled Stoke who thought they were in control.

Sixteen minutes of tentative sparring had passed when Neal suddenly decided to explore the far left wing. From his initiative and Whelan's pass inside, McDermott found himself 25 yards from goal and yet with no one in a better position. So he shot low and straight towards the far corner of Stoke's goal and was plumb on target.

Stoke were entitled to feel disgruntled since they had contributed the greater positive effort. McIlroy had the brightest ideas but any loose play was quickly punished. So it was that Liverpool took a second goal after 29 minutes.

A free kick, curiously played square by Bracewell, was intercepted by Whelan and Rush tore away to take advantage of the defender's absence from the penalty area. Rush held the ball well as Fox moved out from the goal and played it carefully into the path of Dalglish who took an icy look at the goalkeeper and beat him with almost cynical disdain.

Despite Hansen's immobility with an ankle injury and the driving rain, Liverpool took the remaining spirit out of Stoke. Only three minutes into the second half Souness felt tempted to upstage McDermott's earlier effort. This time, as Souness's shot came at him, Fox seemed to have it covered at the post, but as he grabbed the slippery ball, it slipped playfully over his body for Liverpool's third.

Stoke slightly improved their situation when Hansen thrust out a foot to Chapman's cross and McIlroy beat Grobbelaar.

STOKE CITY: P Fox; R Evans, P Hampton, A Dodd, D Watson, D McAughtrie, S McIlroy, B O'Callaghan, L Chapman, P Bracewell, P Maguire.
LIVERPOOL: B Grobbelaar; P Neal, A Kennedy, M Lawrenson, R Whelan, A Hansen, K Dalglish, S Lee, I Rush, T McDermott, G Souness.
Referee: G Napthine (Leicester).

AUSTRIA: First division: Lask 1, Voest 2; Austria Salzburg 5, Gak 0; Rapid 4, Admira Wacker 4; Sturm v Innsbruck, cancelled; WSC 0, Austria Wien 0.
HUNGARY: First division: Volan 1, Pecs 2; Ozd 0, Debrecen 2; Szeged 2, Csepel 2; Zalaegerszeg 3, Diosgyor 1; Haladas 3, Nyiregyhaza 1; Vasas 1, Raba Eto 1; Ujpest Dozsa 0, Videoton 1; Honved 0, Ferencvaros 2; Tatabanya 2, Bekescsaba 1.
POLAND: First division: Baltyk Gdynia 0, Pogon Szczecin 0; LKS Lodz 1, Lech Poznan 2; Gornik Zabrze 2, Ruch Chorzow 1; Slal Mielec 3, Arka Gdynia 0; Wisla Krakow 6, Gwardia Warsaw 1; Zaglebie Sosnowiec 2, Szombierki Bytom 1; Motor Lublin 1, Widzew Lodz 3; Legia Warsaw 0, Slask Wroclaw 0.
ARGENTINA: National championship: Huracan 0, Nueva Chicago 0; Gimnasia Mendoza 2, Independiente Mendoza 2; Talleres 1, Instituto 1; Quilmes 1, Estudiantes 1; River Plate 1, Boca Juniors 3; Sarmiento 4, Mariano Moreno 1; Central 3, Gimnasia Jujuy 1; Platense 1, Argentinos Juniors 0; Independiente 1, Racing Club 1; Concepcion 0, San Martin 1; San Lorenzo 2, Rio Negro 1; Racing 1, Union 1; Old Boys 2, Rosario Central 1; Guarani 4, Estudiantes 1 —Reuter.

HOCKEY

Navy pay the penalty

By Sydney Friskin

Navy 2 RAF 2
[RAF won on penalties 7—5]

Strange things happened in the Services championship before the Royal Air Force beat the Navy on penalty strokes at Portsmouth yesterday.

The Navy drew level at 2—2 in the seventh minute of injury time. The RAF missed a penalty stroke in the first period of extra time and almost lost the match in the second when a superb shot by Lambkin—a substitute—hit the far post with the goalkeeper beaten.

So, after an extra half hour of play in which no goals were scored the RAF, showing better timing and control, won the penalty stroke barrage by 5—3. They will now defend their title against the Army today.

This was one of those days when the RAF could not put their talent together on a soft and uncertain pitch. The Navy ran strongly, fought hard and put up a commendable performance. As they did on the previous day they converted their fifth short corner, and again the scorer was Martin, in the 23rd minute.

The RAF equalized seven minutes later through Hedley off the rebound from a shot by Bosworth and went ahead in the 10th minute of the second half when Leach scored from a penalty stroke. It was not a good stroke but the goalkeeper had moved the wrong way. Persistency by the Navy earned them a just equalizer when Martin scored from a short corner 30 seconds before the final whistle.

ROYAL NAVY: Lt A Lages; Sub Lt M Thistlethwaite, Sgt J Kelleher, CPO D Smith, Ld S L Hammond, Lt I Tibbitt, Lt R Martin (RM)—captain, LCA N Eves, LWEM(O) T Spinks, MEA/APP G Mather, CPO J May (sub WEM I Lambkin).
RAF: FO V Pappin; Cpl M Dykes, F/Lt I Draper, Sgt I Clinton, Cpl G Leach, F/Lt M Old, FO S Bollum, J/Tech S Channa (sub FO D Marshall), F/Lt T Hedley, Cpl G Bosworth, Sq L S Bales—captain.
UMPIRES: Col C S Kemp and SSM C Gardiner (Army).
CLUB CHAMPIONSHIP: Semi-final draw (March 27): Southgate v Hounslow; Slough v Nottingham.

FOR THE RECORD

ICE HOCKEY

NATIONAL LEAGUE: New York Rangers 6, Detroit Redwings 3; Minnesota North Stars 8, St Louis Blues 1.

CYCLING

TOUR OF CORSICA: Last stage placings: 1, D Garde (France) 4hr 15min 45sec; 2, C Jourdan (France) same time; 3, F Brun (France) same time. Final placings: 1, B Hinault (France) 14hr 52min 32sec; 3, P Simon (France) at 5sec; 3, G Lemond (US) at 18.

TABLE TENNIS

BRIDGEND: European League, second division: Wales 3 Scotland 4 (Welsh names first): A Griffiths beat D Hannah 21—16, 23—21; N Thomas beat K Rodger 21—9, 21—18; L Tyler lost to Carole Dalrymple, 20—22, 18—21; Griffiths and Thomas lost to Hannah and Rodger 25—27, 14—21; Thomas and Tyler lost to Rodger and Dalrymple 13—21, 16—21; Griffiths beat Rodger 21—9, 21—9; Thomas lost to Hannah 18—21, 14—21.

TENNIS

BRUSSELS: Belgian indoor championship: First round: T Mayotte (US) beat T Stevaux (Belgium), 6—2, 6—4; F Buehning (S) beat H Solomon (US), 3—6, 6—2, 6—4; B Fritz (France) beat Z Kuharszky (Hungary) 7—5, 6—2.
LINZ (Austria): First round: M Davis (US) beat I Pasquier (Switzerland), 6—4, 6—4; W Popp (WG) beat F Sauer (SA) 6—0, 6—2; C Panatta (Italy) beat P Kronk (Australia) 6—3, 7—6; R Frawley (Australia) beat A Graham (US) 5—7, 7—5, 7—5; R Reininger (Austria) beat M Martinez (Bolivia) 7—6, 2—6, 7—5.

BASKETBALL

NATIONAL ASSOCIATION: Atlanta Hawks 98, Milwaukee Bucks 95; Boston Celtics 111, Detroit Pistons 101; Dallas Mavericks 121, San Antonio Spurs 113.

CRICKET

NEW PLYMOUTH (New Zealand): 45-over match: Australians 171 (A Border 76, J Dyson 40); Central Districts 172 for 9 (T Alderman 4 for 21). Central Districts won by one wicket.

ROWING

HEAD OF RIVER: Eights: 1, Shrewsbury, 8 min 5 sec; 2, Emanuel, 8:8; 3, Hampton, 8:18.5; 4, St Edwards, 8:18.7; 5, Radley, 8:19; 6, Winchester, 8:19.5; 7, Eton, 8:20; 8, Shiplake, 8:25; 9, St Paul's, 8:25.6; 10, Pangbourne, 8:28; 11, Tiffin School, 8:33; 12, King's School, Canterbury, 8:34; 13, Kingston GS, 8:34.5; 14, Bedford Modern, 8:35; 15, equal Monkton Combe and Latymer Upper, 8:35.7; 17, Bedford, 8:37; 18, King James's College, Henley, 8:37.2; 19, Hampton B, 8:37.4; 20, Eton C, 8:37.9. Pennant Winners: Eights: Junior 16: Eton C, 20th; Small Clubs: King James's, Henley, 19th; Junior 15: Westminster C, 39th; Junior 15 Restricted: Eton J, 90th; Junior 14: Winchester D, 92nd; Junior 14 Restricted: Hampton F, 94th. Fours (provisional): 1, Strode, 9 min 8.5 sec; 2, KCS, Wimbledon, 9:8.5; 3, Berkhamsted, 9:14.6; 4, George Heriot's, 9:15.9; 5, Emanuel, 9:18.9; 6, Westminster A, 9:22.1. Pennant winners: J16: KCS, Wimbledon; J16R: Berkhamsted; J15: Pilgrim School; J15R: Shiplake. Women: RC Abingdon; 16R: Mark Rutherford School.

TODAY'S FIXTURES

Kick-off 7.30 unless stated.
FIRST DIVISION: Leeds United v Manchester City (7.45); Sunderland v Southampton.
SECOND DIVISION: Derby County v Shrewsbury Town.
THIRD DIVISION: Exeter City v Fulham; Lincoln City v Doncaster Rovers; Reading v Bristol City.
FOURTH DIVISION: Blackpool v York City; Bradford City v Stockport County; Hartlepool v Tranmere Rovers; Hereford United v Colchester United; Peterborough United v Port Vale.
SCOTTISH PREMIER DIVISION: Aberdeen v Hibernian; Dundee United v Dundee; St Mirren v Rangers.
SCOTTISH FIRST DIVISION: Clydebank v Queen's Park; Kilmarnock v Dunfermline; St Johnstone v Falkirk.
SCOTTISH SECOND DIVISION: Albion Rovers v East Fife; Clyde v Arbroath; Meadowbank Thistle v Stranraer; Stirling Albion v Forfar Athletic.
ALLIANCE PREMIER LEAGUE: Bath v Yeovil; Frickley v Worcester; Maidstone v Boston.
SOUTHERN LEAGUE: Midland: Alvechurch v Witney; Bedford v Bromsgrove; Gloucester v Bridgend; Taunton v Merthyr Tydfil; Wellingborough v Bedworth. South: Dover v Welling; Fareham v Wealdstone; Folkestone v Chelmsford.
NORTHERN PREMIER LEAGUE: King's Lynn v Matlock.
CENTRAL LEAGUE: Bury v Burnley; Newcastle v Blackburn.
FOOTBALL COMBINATION: Birmingham v Norwich (7.0); Crystal Palace v Arsenal; Oxford United v Luton.
IRISH LEAGUE: Distillery v Ballymena (4.0).
ISTHMIAN LEAGUE: First division: Bognor Regis v Lewes (at Waterlooville). Second division: Molesey v Tring.
ATHENIAN LEAGUE: Kingsbury v Haringey Borough.
REPRESENTATIVE MATCHES: Southern Amateur League v Southern Olympian League (at O. Wilsonians, Bromley, 3.0); Army v Royal Navy (at Aldershot, 2.30).
FA YOUTH CUP: Watford v Middlesbrough.
TESTIMONIAL MATCH (for Kevin Beattie): Ipswich Town v Moscow Dynamo.

Rugby Union

U.A.U. FINAL: Durham v Exeter (at Twickenham) 3.0.
CLUB MATCHES: Bridgend v Swansea (7.15); Newport v Ebbw Vale (7.15); Pontypridd v Bath (7.0); Rugby v RAF (7.0).

Rugby League

SECOND DIVISION: Keighley v Hunslet.

Hockey

LONDON LEAGUE: Cambridge University v Slough; Oxford University v St Albans.
UAU CHAMPIONSHIP: Final: Loughborough v Durham (at Teddington, 12.15).
REAL TENNIS: University match: Oxford v Cambridge (at Lord's).
SQUASH RACKETS: Thornton; International SPA Championship (at Abbeydale Park Club, Sheffield); Wimbledon Cup (at Wimbledon Squash and Badminton Club); McEwans Lager Open (at Stockton YMCA).

GOLF

Kite is over the moon

From John Ballantine
Orlando, March 9

Tom Kite appeared from nowhere to catch Jack Nicklaus and Dennis Watson of South Africa, on 278 and then, under a full moon, beat them in the three-way play off at the first extra hole of the Bay Hill classic.

On the 425 yard 15th he chipped in with an 8-iron for a birdie from 20 feet off the green, while Nicklaus from 22 feet and Watson from 18 feet grazed the cup to stay alive.

Kite's win was only his fourth victory in 11 years on tour, during which time he has won £800,000. He was the leading money winner last season with nearly £200,000 and his £27,000 first prize here brought his season's winnings to £63,200.

Everybody here was trying desperately to win but it was a day of extraordinary fluctuations. Manuel Pinero and Howard Clark got in early with 69s to win £3,350 for joint 11th place and £2,300 for joint 18th position respectively. So could the course or the wind have been so difficult? The leaders later all said it was, but they were playing a different game under different pressures.

Ray Floyd finally sank his hopes by hitting in to the water from a fairway bunker at the 13th to take six. Nicklaus, typically, fought his way back into the play off with 12 foot and 9 foot birdie putts at the 15th and 16th greens. Watson made it also after leaving six or seven putts on the lip.

Nick Faldo finished with 71 for 17th place to win £2,620. His 7 at the last hole of the third round lost him about £3,100. He was disappointed that he had not won the $10,000 that he felt was his due and which, added to the $20,500 he has won in seven events this season, would have given him the $30,000 that the players generally think will be necessary to make the top 125 money winners.

FINAL SCORES: T Kite ($54,000) 69, 70, 70, 69, 278; J Nicklaus ($26,400) 69, 67, 67, 75, 278; D Watson ($26,400) 69, 68, 69, 72, 278; C Stadler ($13,300) 66, 70, 73, 70, 279; L Wadkins ($13,300) 69, 69, 70, 71, 279; F Zoeller ($10,325) 67, 74, 72, 67, 280; R Floyd ($10,325) 68, 70, 66, 76, 280; G Morgan ($8,700) 67, 74, 72, 68, 281; T Jenkins ($8,700) 69, 73, 70, 69, 281; S Hoch ($8,700) 65, 71, 73, 72, 281.

BOWLS

TEESSIDE: British Isles indoor championship: Pairs: semi-finals: C Campbell and W Pimley (Belfast) beat W Webber and G Humphreys (Vale of Glamorgan) 28—8; J Barnes and E Hanger (Sunderland) beat A Mackie and H Restun (West Lothian) 30—13. Triples, semi-finals: M Dunlop, N McQueeny, W Watson (Belfast) beat D Clark, T Hennell and A Thomson (Cyphers, Beckenham) 21—14; D Carpenter, R Morgan, L Sanfield (Mona) beat W Thompson, J Reid, D Lyons (Cumbernauld) 18—15. B Sloan, B Higgins, R Horner, D Corbill (Belfast) beat R Ash, D Ague, D Orling, D Hawkins (Llanishen, Cardiff) 16—13; K Illingworth, G Newton, G Turly, M Hughes (Hartlepool) beat P Brodie, W Howe, J Coulson, J Brodie (Dundee) 18—15.

Girls seek title record

Five all-female partnerships will contest the Sunningdale foursomes golf tournament at the Berkshire club's course from March 23-26. They include the teenage pairing of Janet Soulsby, the British stroke-play champion from Newcastle, and Claire Waite of Swindon, plus two all-professional line-ups.

Miss Soulsby and Miss Waite are among the back-markers with a combined handicap of 12. Although women have figured prominently in the event since it began in 1934, an all-female pair has never won the title.

Other all-amateur women combinations are Mary McKenna and Maureen Madill, the Irish Curtis Cup pair, and Mandy Rawlings and Vicki Thomas, the Welsh sisters.

Women professional partnerships, who play off 10 handicap, are the Scots Catherine Panton and Muriel Thomson, and Christine Langford and Mickey Walker, the Kent players.

Three well known father and son pairings are also in the field. Neil Coles, the tournament players chairman, partners Gary; Hedley Muscroft plays with Duncan, former British boys champion; and Lionel Platts, another Ryder Cup player, again teams up with his son, Chris.

The title will be defended by Gordon Brand, of Scotland.

ICE SKATING

Great Scott ahead

From John Hennessy
in Copenhagen, March 9

Scott Hamilton, a dynamic little American, took a giant stride towards retaining his world ice skating championship here today. He finished second in the compulsory figures and has thus yielded only 0.6 of a point to Jean-Christophe Simond, of France.

Last year Hamilton was only fourth. His superior free skating should surely see him through the two final elements, the short and the long of free-skating, tomorrow and on Thursday respectively.

Mark Pepperday, the British champion, is 27th, supported at the bottom only by the representatives of the Netherlands, Spain and China.

Perhaps we should have expected nothing better in the matter of placings, since Pepperday is again 19th among Europeans as he was during the recent championships in Lyons, but the marks were depressingly lower.

Hamilton seems to have killed stone dead a competition that promised to hold us in suspense until the end. With so many able Europeans, to say nothing of outstanding Canadians and Japanese, it was possible that anyone from half a dozen or more could throw down a challenge; but it is hard now to see Hamilton being dislodged.

Igor Bobrin, of the Soviet Union, held second place after the second figure, but was knocked off that perch by a superb set of loops by Hamilton. They put the Russian under such pressure that he lost his form and dropped to fourth place behind David Santee, finally runner up a year ago.

Bobrin damaged, indeed destroyed, not only his own hopes but also probably those of Simond. Two places, representing 1.2 pts, between Simond and Hamilton was an uncomfortably narrow margin. Now it has been halved. It is unfortunate that so many gifted free skaters have been impossibly handicapped by their humble positions in the figures.

Jayne Torvill and Christopher Dean, the British holders of the ice dance title, are called to action tomorrow for the first two of the compulsory dances, followed by two more on Thursday and what is sure to be an exciting final on Friday.

It will be to their advantage that the British have not drawn a place on the judging panel for Friday. If impartiality were absolute among judges it would not matter; but that is an impossible dream in the world of ice skating.

MEN: Compulsory figures: 1, J-C Simond (France), 0.6 pts, seven placements; 2, S Hamilton (US), 1.2, 15; 3, D Santee (US), 1.8, 21; 4, I Bobrin (USSR), 2.4, 33; 5, B Pockar (Canada), 3.0, 51; 6, N Schramm (WG), 3.6, 45; 7, P Poulet (France), 4.2, 55; 8, F Igarashi (Japan), 4.8, 58; 9, R Wagenhoffer (US), 5.4, 67; 10, G Filipowski (Poland), 6.0, 64; 11, V Kotin (USSR), 6.6, 79; 12, B Orser (Canada), 7.2, 81; 13, J Sabovcik (Czechoslovakia), 7.8, 91; 14, T Mino (Japan), 8.4, 106; 15, A Fadeyev (USSR), 9.0, 111. Other placings include: 27, Mark Pepperday (GB) 16.2, 183.

ROWING

Shrewsbury are 'head'

By Jim Railton

Shrewsbury won the Schools Head of the River race over two miles on the tideway yesterday. It was their second win in the 35 years this popular event has been held.

Shrewsbury started in second place behind the holders, Emanuel, whittled down the head crew's start and just overlapped at the finish. Shrewsbury too underrated Emanuel by almost three strokes over the course to win by five seconds.

Shrewsbury and Emanuel stood out and opened a huge gap on their pursuers that was reflected in the 15-second deficit of the third-placed Hampton School.

Crews to make the top 20 this year from the lower ranks were King's School Canterbury, Kingston Grammar School, Latymer Upper, Monkton Combe and Hampton B. King James's School, Henley, improved 49 places to finish in 18th position. Radley appeared to overhaul St Edward's; but late last evening the computer had not confirmed this.

There was a great clash approaching the boathouses between Oundle and King's College School, Wimbledon, but there were no casualties. Strode rode with great maturity and strength to win the fours title, just beating King's College School, Wimbledon.

SKIING CONDITIONS

	Depth (cm) L	Depth (cm) U	Conditions Piste	Conditions Off Piste	Runs to resort	Weather (5 pm)	°C
Andermatt	150	330	Good	Powder	Good	Fine	3
Good new snow on upper slopes							
Arosa	150	190	Good	Powder	Good	Fine	-5
Powder on good base							
Courmayeur	163	286	Icy	Varied	Fair	Fine	7
Light powder on hard base							
Grindelwald	25	140	Good	Varied	Good	Fine	-2
Excellent piste skiing							
Isola 2000	135	195	Good	Heavy	Good	Snow	-1
Visibility poor but skiing good							
Mürren	150	230	Good	Varied	Good	Fine	0
Excellent skiing above 2,500m							
St Anton	100	400	Good	Varied	Good	Fine	2
Good snow base							
Tignes	190	280	Good	Varied	Good	Fine	1
Good snow on hard base							
Zermatt	65	75	Good	Powder	Good	Fine	10
Powder snow on north facing slopes							

In the above reports, supplied by representatives of the Ski Club of Great Britain, L refers to lower slopes and U to upper slopes. The following reports have been received from other sources.

	Depth (cm) L	Depth (cm) U	State of Piste	Weather °C
GERMANY				
Berchtesgaden	30	110	Crust	-3
Garmisch	40	120	Old	-3
Hindelang	45	210	Old	-2
Kleinwalsertal	110	540	Old	-1
Mittenwald	35	100	Crust	-3
Oberammergau	30	90	Old	1
Oberstaufen	100	160	Pwdr.	-2
Oberstdorf	70	180	Old	-3

SCOTTISH: Cairngorms: Main runs and lower slopes—all complete. New snow with icy patches. Vertical runs—1,800ft. Access roads clear. Snow level—2,000ft. Glenshee: Main runs—all complete. New snow on a firm base. Lower slopes—ample nursery areas. New snow on a firm base. Vertical runs—1,000ft. Access roads clear; Snow level 2,000ft. Glencoe: Main runs and lower slopes—all complete. New snow on a firm base. Vertical runs 2,000ft. Access roads—clear; Snow level—1,600ft. Lecht: Main runs—a few runs complete but narrow. New snow with icy patches. Lower slopes—Limited nursery areas. New snow with icy patches. Vertical runs 600ft. Access roads clear. Snow level 2,000ft.

RACING

Sea Pigeon comes home to roost

By Michael Phillips, Racing Correspondent

Sea Pigeon, the winner of the Champion Hurdle for the past two seasons and arguably one of the best-loved horses to have raced under both sets of rules for the last decade has been retired.

The announcement came yesterday after a gallop had convinced Peter Easterby, his trainer, that the old horse — Sea Pigeon is now 12 — had not recovered from the after effects of a virus which had left his brilliant and versatile career in tatters towards the end of last year. Both Easterby and Pat Muldoon Sea Pigeon's owner had been adamant all along that Sea Pigeon would not run again unless they were entirely happy with him because they did not want ever to see him humiliated, a sentiment that will be echoed by everyone who grew to admire him.

In contrast to this time 12 months ago when reports of Sea Pigeon's wellbeing were keeping the wires buzzing and the bookies busy, the reports coming out of Yorkshire this spring have been far from encouraging, so much so that yesterday's announcement was a foregone conclusion in racing circles.

The bookmakers had long since deleted Sea Pigeon's name from their ante-post lists for next Tuesday's Champion Hurdle so his retirement caused no upheaval in that particular market.

Sea Pigeon is to spend the rest of his days on Jonjo O'Neill's farm in Cumbria. Yesterday O'Neill's said that the sadness caused by the realization that he will never ride Sea Pigeon in a race again was at least compensated by the fact that he will see him day in and day out at home in the future. "Sea Pigeon is my favourite of all the horses I have ever ridden and, make no mistake, he was a great horse."

Greatness is a word not used sparingly enough in the heat of the moment in racing, but the records show that Sea Pigeon qualified for such praise. During a career that spanned 10 years, he won 37 races and just over £220,000 in prize money. In flat racing, he won more money than any other gelding; at jumping, he held the outright record — £130,395. Before he became the champion at the age of 10 in 1980, Sea Pigeon had twice been runner up to Monksfield at Cheltenham.

Last year O'Neill was unable to ride him in the Champion Hurdle because he was still on crutches recovering from a badly broken leg.

His place was taken by John Francome. The way they came up the hill in triumph was a majestic sight with each exuding confidence in the other.

By that legendary racehorse Sea Bird II and out of a mare by Round Table, Sea Pigeon was bred by the late Jock Whitney who was a staunch supporter of racing under both rules in this country for more than 50 years.

In his formative days, Sea Pigeon was trained by Jeremy Tree at Beckhampton. With a pedigree like that it was only natural for the Derby to be uppermost in their minds in the spring of 1973, especially as Sea Pigeon had made such an auspicious start to his career at Ascot the previous autumn when he won the Duke of Edinburgh Stakes.

Sea Pigeon did run in the *Epsom classic* but could finish only seventh, 10 lengths behind the winner, Morston. What is often forgotten now and indeed buried under a pile of brilliant statistics and records, is that the Cumbrian trainer Gordon W. Richards who was responsible for buying Sea Pigeon for Muldoon and training him for the seasons that spanned 1974/6.

When Muldoon decided to have his horses trained instead by Easterby in 1977, Richards who was the loser. O'Neill had always ridden the horse when he could and that partnership continued to thrive because of Easterby's skill.

As far as that phlegmatic Yorkshireman is concerned, it will be back to work as normal at Catterick today as soon as all the fuss had died down.

Sausolito (2.15) and Ardar (3.45) could provide him with swift consolation by winning the two divisions of the Hornby Novices Hurdle. Ardar should be especially hard to beat in his, having run so promisingly behind Arkan at Weatherby a week ago.

Like Sea Pigeon, Ardar was also bred in the purple with classics in mind, his sire being another Derby winner, Relko. Like Sea Pigeon, he failed to live up to early expectations. But he did enough on the Flat last summer, when he was trained by Fulke Johnson Houghton, for the Aga Khan to encourage his present trainer to bid 15,000 guineas for him at the sales at Newmarket in December. It will be interesting to chart Ardar's career from now on to see whether or not the Easterby magic rubs off on him too.

Another Captain (3.15) and Why So (4.15) are other likely winners at Catterick, especially Why So who won the White Rabbit Handicap Steeplechase so emphatically at Haydock Park last Friday.

For those attending Bangor races, I suggest that a study of the form book will point to Braven continuing Michael Dickinson's marvellous run by winning the Oswestry Steeplechase. Before he won his last race at Leicester much more easily than even the judges verdict of six lengths might suggest, Braven had beaten Ballyross at Warwick. And Ballyross was considered a very good horse indeed in Ireland before he came to this country to be trained by Tim Forster for whom he won a valuable steeplechase at Lingfield last month by 15 lengths.

● The Stratford meeting scheduled for tomorrow has been cancelled because parts of the course are waterlogged.

STATE OF GOING (Official): Catterick: good; Bangor: soft. Tommorow: Wincanton: soft; Stratford: abandoned, course flooded.



In full flight: the soaring majesty of Sea Pigeon, who swooped to conquer 37 times in his 10-year career

Catterick Bridge

2.15 HORNBY HURDLE (Div I: novices: £677. 2m) (23 runners)

1 00000 ANDY REW (Mrs E Preece) B Preece 9-11-4 ... Mr S Dickin 7
2 p0 BOURNE'S CHAMPION (Lady F Hanmer) 5-11-4 ... —
3 CRUISING STAR (Mrs M Gratton) F Gibson 6-11-4 ... K Whyte
4 000 DUBANA (W C Watts) W C Watts 5-11-4 ... S Charlton
7 10-000 KING'S FASHION (N Waggott) N Waggott 7-11-4 ... T G Davies 4
8 000-000 KUMON SUNSHINE (J Cowan) D Yeoman 5-11-4 ... —
10 0/pp PAGLIACCI (C Tinkler) N Tinkler 10-11-4 ... N Tinkler
11 002 PORTMADOC (F Scotto) W A Stephenson 5-11-4 ... Mr E McIntyre 4
14 0f/p00u ROMAN VIEW (R Dods) R Dods 5-11-4 ... C Grant
15 0up-30 SAINTLY LADY (M Reddan) M Reddan 7-11-4 ... P Murphy 4
16 0f/p00u SENSING (B) (W Hogg) M Naughton 6-11-4 ... P Tuck
17 00-3f04 SHOOLER PRINCE (W Horton) F Watson 5-11-4 ... D Dutton 4
18 pp-0 SHUGHIE (Mrs C Weightman) Mrs C Weightman 7-11-4 ... —
20 00-40f0 SOME JINKS (E Collingwood-Cameron) W A Stephenson 6-11-4 ... R Lamb
21 0000 STARFINDER (B Murphy) M Camacho 5-11-4 ... G Holmes
22 000-00 TURTLETON (R McDonald) B McDonald 5-11-4 ... C Brownless
23 r0 WARRIOR TURK (L Griffiths) L Griffiths 5-11-4 ... D Wilkinson
24 00 BOTTISHAM (Mrs B Simmons) W Marshall 4-10-5 ... J Suthern
25 004 CLOUDWALKER (B) (M Julien) M Lambert 4-10-5 ... A Brown
27 0 GOLDEN ALRAY (R Shaw) B McMahon 4-10-5 ... S J O'Neill
28 00f0 NIMBO (Mrs J Waggott) N Waggott 4-10-5 ... Mr N Waggott Jnr 7
29 44423 SAUSOLITO (J and J Stanley) M H Easterby 4-10-5 ... Mr T Easterby
30 SCHWARZENBERG (W Mc Ghie) G Richards 4-10-5 ... R Barry

7-4 Sausolito, 3 Portmadoc, 6 Cloudwalker, 8 Schwarzenberg, 10 Andy Rew, 12 others.

2 45 RUDBY HURKLE (4-y-o selling: £687: 2m) (18)

2 0 CRIMSON FLASH (Mrs J Skeolon) 11-3 ... G Graham
3 00 CRISTINA TIMES (L Cookson) B McMahon 11-3 ... S J O'Neill
4 002 DRAKE'S LADY (B) (M Bray-Colton) W Clay 11-3 ... N Clay
5 004 EBORACUM (E McMahon) B Wilkinson 11-3 ... R Barry
7 043014 GLDLINER ABBEY (D) (T Edmonds) J Hardy 11-3 ... S Johnson 4
8 000f20 GO LISSAVA (D) (F Barton) F Barton 11-3 ... Mr B Storey 7
9 0040 MALSEEDY (M Leyden) R Stubbs 11-3 ... D Hewes 7
11 p00 MISS NINIAN (B) (W Goodson) C Pinkham 11-3 ... K Williams 4
12 000 OVERSHOE (W C Watts) W C Watts 11-3 ... —
13 u PALACE GENIE (Mrs A Vincent) Miss S Hall 11-3 ... C Pimlott
14 000pp0 PANTO ISLAND (C Ratcliffe) C Ratcliffe 11-3 ... Mr C Ratcliffe
15 00000p POLIPUTER (G Harman) G Harman 11-3 ... P Harman 7
17 40 REIDOR (C Rennison) W Haigh 11-3 ... P A Charlton
18 00 SPOILT FOR CHOICE (Mrs D Roberts) D Chapman 11-3 ... Mr T Walford
19 f0 SPURSTOW (R Thompson) R Thompson 11-3 ... G Holmes
21 0030 THAT'S MAGIC (J Parkes) J Parkes 11-3 ... M Pepper 7
23 00 VAGUELY FAIR (Mrs P Mitchell) Denys Smith 11-3 ... C Grant
24 p VEROWEN (P Colquhoun) C Pinkham 11-3 ... D Lancaster

15-8 Goldliner Abbey, 100-30 Drake's Lady, 5 Go Lissava, 15-2 That's Magic, 10 Crimson Flash, 12 Vaguely Fair, 14 others.

3.15 PETER VAUX CHASE (Handicap: £2,590 3m 300yd) (9)

3 400-000 CABAR FEIDH (B) (F Soudavar) P Calver 10-11-7 ... Mr T Thompson-Jones
4 0u1002 ANOTHER CAPTAIN (A Scott) A Scott 10-11-7 ... Mr A Fowler
5 fp41u2 HALLO DANDY (C) (J Thompson) G Richards 8-11-0 ... Mr D Browne 4
6 41b000 FLAMENCO DANCER (J Oakes) R Perkins 8-10-5 ... Mr H Bissill 7
8 02f130 CHURCHILL PEAK (B) (Mrs A Brown) W A Stephenson 8-10-4 ... Mr E McIntyre 4
11 f2-0002 CAPTAIN PARKHILL (R McLean) B McLean 9-10-0 ... Mr T Easterby
12 3-0u2u3 COCKLE STRAND (CD) (Col D Greig) K Oliver 9-10-0 ... —
13 11/4f-0 TREVINO (R Brewis) R Brewis 12-10-0 ... Mr P Craggs
14 000024 RAJPIPLA (B) (C Ratcliffe) C Ratcliffe 7-10-0 ... Mr C Ratcliffe 7

2 Hallo Dandy, 5-2 Another Captain, 9-2 Cockle Strand, 7 Cabar Feidh, 10 Captain Parkhill, 12 others.

3.45 HORNBY HURDLE (Novices, Div II: £706: 2m) (23)

2 0100000 POWDER HORN (D) (J Barr) Mrs J Barr 5-12-0 ... Mr T D Smith 7
4 40f0 BAVAL (Miss R Slicer) D Yeoman 5-11-4 ... R Barry
5 024/00-0 BOBBING STAR (R Shaw) B McMahon 6-11-4 ... S J O'Neill
6 100 ERNE WATERWAY (J Kettlewell) J Kettlewell 6-11-4 ... S Kettlewell 7
8 HOPGROVE (Mrs S Bradley) C Pinkham 6-11-4 ... D Lancaster 4
10 00034 MAC'S DELIGHT (H Maddever) Rex Carter 5-11-4 ... —
11 0443 MELODY MOON (D Curr) Denys Smith 7-11-4 ... C Grant
12 0 MISS GENEROUS (M Llewellyn) M Camacho 5-11-4 ... P Tuck
16 1/00- SHOOLERBOY (M Stapleton) K Stapleton 6-11-4 ... K Whyte
17 4030u0 SWORD EDGE (W C Watts) W C Watts 5-11-4 ... P Armitage
19 rp0p-0 TANLAW (Mrs H Fraser) C Lamb 6-11-4 ... R Lamb
20 0p00f-p TELLYWOG (Mrs J Waggott) N Waggott 7-11-4 ... Mr N Waggott Jnr 7
21 00/00-p TULLYARD (Mrs D Bousfield) B Bousfield 6-11-4 ... N Doughty
22 004000 WESTWOOD DEAL (R Illingworth) M Naughton 5-11-4 ... Mr D Browne 4
23 00 WISE MAN (R Thompson) R Thompson 6-11-4 ... G Holmes
26 3 ARDAR (BF) (Dr S Arali) M H Easterby 4-10-5 ... A Brown
27 AWARD FOR EXPORT (J Williamson) J Williamson 4-10-5 ... Mr B Storey 7
28 BRETTON PARK (A Brook) S Norton 4-10-5 ... G Graam
29 04 COMPOSER (Mrs B Simmons) W Marshall 4-10-5 ... J Suthern
30 30 GRAY HEAT (W Gray) W Haigh 4-10-5 ... P A Charlton
33 MOSSDRUM (L Griffiths) L Griffiths 4-10-5 ... D Wilkinson
34 0 PAULINE'S PET (D Horsley) R Robinson 4-10-5 ... M Pepper 7
36 0000 RUMASA (R Johnston) T Barnes 4-10-5 ... M Barnes

5-4 Ardar, 4 Composer, 11-2 Gray Heat, 15-2 Mac's Delight, 10 Bayal, 14 Melody Moon, 16 others.

4.15 NEWBY CHASE (Handicap: £1,230 2m) (9)

1 1110-32 SWIFT ALBANY (CD) (R Robinson) R Robinson 8-11-13 ... M Pepper 7
2 404121 WHY SO (CD) (F Soudavar G Richards 9-11-13 (4 ex) ... N Doughty
3 00-0114 LEINUM (D) (Mrs E Wilson) P Calver 11-11-4 ... C Tinkler
8 001p00 BANADOR (CD) (P Waring) R Perkins 11-10-0 ... C Grant
9 p00000 SUPREME SAIL (V Thompson) V Thompson 11-10-0 ... Mr M Thompson 7
11 133p04 ROMAN KING (D,B) (F Watson) F Watson 11-10-0 ... D Dutton 4
12 p92p3-0 *THRELKELD HALL (J Pearson) Mrs C Weightman 8-10-0* ... —
13 p4u001 PAMPERED SOVEREIGN (D Dixon) V Thompson 11-10-0 (4 ex) ... D Atkins
14 00p-004 THE FAST ONE (C Ratcliffe) C Ratcliffe 12-10-0 ... Mr C Ratcliffe

11-8 Why So, 3 Swift Albany, 9-2 Leinum, 8 Roman King, 14 Banador, 16 Pampered Sovereign, 20 others.

4.45 GIRSBY CHASE (Novices: £1,383: 3m 300yd) (14)

2 302p1u TWICE TIMES (J Brockbank) J Brockbank 7-12-3 ... Mr L Hudson 4
3 00-0fu1 CHANCE COMMAND (B) (Ld Ronaldshay) P Calver 7-11-10 ... C Tinkler
7 p3b00-0 AUCHENCRUIVE (Mrs K Savo::e) A Watson 7-11-3 ... G Graham
9 0000-00 BANK LAW (R Bridge) J Harris 6-11-3 ... J A Harris 4
11 0223-00 CANTY'S BRIG (D Thomson) D Thomson 9-11-3 ... J Allen
13 0/f3u CHETEL (R Brewis) R Brewis 8-11-3 ... C Pimlott
16 00 FLYING ENTERPRISE (F Watson) F Watson 9-11-3 ... Mr F Watson
17 *12-f000 GUNSMITH (R Dixon) R Dixon 9-11-3* ... A MacWilliams 7
20 000-000 KIRKBY LAD (Mrs J Tinning) W Tinning 8-11-3 ... G Wilkinson
21 p-0p0r0 LUCKY CHIMES (J Brock) W Atkinson 10-11-3 ... C Brownless
22 331400 LYNE MILL (D Swindlehurst) D Swindlehurst 8-11-3 ... Mr D Swindlehurst 7
25 00004p REGAL ROOTS (J Walker) W A Stephenson 6-11-3 ... R Lamb
26 f040ff RENNIS BAR (W Bruce) G Fairbairn 10-11-3 ... C Grant
7 0004-fp SHARP WORD (J Dougal) I Jordon 7-11-3 ... B Ellison 4

9-4 Chance Command, 3 Twice Times, 9-2 Canty's Brig, 13-2 Lyne Mill, 10 Chetel, 14 others.

5.15 GRUNWICK STAKES (NH flat race: £521: 2m) (21)

2 0 BOSTON BOY (M Oldham) R Woodhouse 5-11-12 ... Mr Woodhouse
3 CALL-ME-DOT (Mrs D Hoyle) C Hoyle 6-11-12 ... Mr P Avery
4 DALWEB (Dalweb Holdings) D Mc Cain 6-11-12 ... S Durr
5 DISCO PRINTER (G Shiel) J Dodds 5-11-12 ... Mr J Walton
6 FLYING VOYAGE (Lady Thomson) Mrs A Roberts 6-11-12 ... Mr H Bissill 7
9 SANDON LAWRENCE (Mrs M Payton) B McMahon 5-11-12 ... A Dunlop 7
10 SAYFLY (T Wardle) W Clay 5-11-12 ... Miss D Clay 7
11 0 SPLENDID LADY (Mrs C Bickenson) M Reddan 5-11-12 ... Mr N Waggott Jnr 7
12 0 UNSCRUPULOUS JUDGE (W A Stephenson) W A Stephenson 5-11-12 ... Mr E McIntyre (4)
13 AH KING (Lt-Col R Warden) M H Easterby 4-11-2 ... Mr T Easterby
15 BEAU LYON (Miss A Smith) R Cross 4-11-2 ... Miss A Cross 7
16 2 BOARDMANS VALUE (Maj J Rubin) M Dickenson 4-11-2 ... G Burrows 7
17 JETELLO (Mrs R Gibson) F Gibson 4-11-2 ... P Delaney 7
18 0 LUCANNY (D Dick) D Dick 4-11-2 ... —
19 0 MACBETH (W A Stephenson) W A Stephenson 4-11-2 ... T G Davies 4
21 MR MADRAS (H Rebanks) H Rebanks 4-11-2 ... Mr T Rebanks
22 NATALIA (R McLean) B McLean 4-11-2 ... M Pepper
23 ROYAL REPRIEVE (B Morgan) B Morgan 4-11-2 ... N Coleman 7
24 SHINEY SON (W A Stephenson) W A Stephenson 4-11-2 ... Mr P Hughes 7
25 STARKY'S PET (R Bainbridge) J Doyle 4-11-2 ... S Youlden 7
26 TARN (T Tate) T Tate 4-11-2 ... Mr T Tate

Evens Boardman's Value, 11-4 Ah King, 7 Unscrupulous Judge, 12 Macbeth, 16 Shiney Son, 20 others.

Catterick selections

By Our Racing Correspondent

2.15 Sausolite, 2.45 Goldliner Abbey, 3.15 Another Captain, 3.45 Ardar, 4.15 Why So, 4.45 Chance Command, 5.15 Boardman's Value.

Bangor selections

By Our Racing Correspondent

2.0 Pem Pem, 2.30 Sparkford, 3.0 Normandy Lad, 3.30 Fred Pillner, 4.0 Braven, 4.30 Optimum.

Bangor-on-Dee

2.00 HOLYWELL HURDLE (Selling handicap. £650.10: 2m 60yds) (11 runners)

7 040102 WEE WILLIAM (B Hicks) B Hicks 5-11-7 ... G Jones
9 20p-000 GLISSEEN (B) (L Tomlinson) M James 5-11-6 ... R Davies
15 041000 PEM PEM (CD) (A Sutton) A Sutton 6-10-12 ... F Morris
16 00-0004 CHICA'S BEAU (M Davies) M Davies 6-10-11 ... M Brisbourne
20 420100 MISANFIELD (R Harper) M Oliver 6-10-10 ... A Webber
21 00000 BRAVE GEM (Arkle Office Supplies Ltd) M Chapman 4-10-10 ... —
22 0/004- CAERNARVON BAY (P Jameson) Mrs A Cousins 6-10-9 ... —
23 040012 GAMBLING WREN (B) (P Riley) W Clay 6-10-9 (7ex) ... M Elliott 4
25 330 BLACK PIRATE (A W Jones) A W Jones 5-10-6 ... S Keightley 4
31 0-0p000 OLBAS (J Cullen) M Oliver 5-10-0 ... P Hobbs
32 pp0/p-0 SHERRIFS BOY (M Morgan) M Eckley ... A O Hagan 4

9-4 Gambling Wren, 11-4 Wee William, 9-2 Misenfield, 6 Black Pirate, 10 Pem Pem, 12 Chica's Beau, 20 others.

2.30 GREDINGTON HUNTER'S CHASE (Amateurs: £908: 3m 200yd) (14)

1 p/242-3 SPARKFORD (Mrs P Morris) Mrs P Morris 11-12-8 ... J Bryan 7
3 32p0-00 LONE SOLDIER (B) (J Docker) J Docker 10-12-3 ... J Docker
5 100 LAST OF THE FOXES (W Davies) N Davies 9-11-12 ... N Twiston-Davies 7
6 f1- PARC-AN-VELVES (CD) (Mrs T Kinsey) Mrs T Kinsey 9-11-12 ... —
7 400p40- BALLYO (R Owen) R Owen 7-11-7 ... Mrs C Lloyd-Jones 7
8 p/ CASHA (Miss A Clift) Miss A Clift 7-11-7 ... —
9 03f00/p CLIPSTON (Mrs A Ferguson) Mrs A Ferguson 10-11-7 ... C Saunders
11 00/ ELFEN QUEEN (T Darlington) T Darlington 8-11-7 ... —
15 3p- HONEY JUMP (T Symons) T Symons 9-11-7 ... T Symons 7
16 3f/00-p LESTER FAIR (H Pugh) H Pugh 11-11-7 ... S Brookshaw 7
17 22-4 LINENFOLD (Mrs J Broad) Mrs J Broad 11-11-7 ... Miss B Broad 7
21 0/10f-3 RIDGEMAN (R Phillips) R Phillips 8-11-7 ... R Phillips 7
23 403/p/0 SALLY POTHEEN (P Sheppard) P Sheppard 12-11-7 ... T Weale 7
25 fpf WESTANOVA (R O Price) G H Price 10-11-7 ... S Crank 7

7-4 Sparkford, 7-2 Parc-An-Velvas, 9-2 Ridgeman, 6 Last of the Foxes, 8 Linenfold, 12 Lone Soldier, 20 others.

3.0 LLANYMYNECH HURDLE (novices handicap: £690: 2m 80yd) (10)

1 03/ DRAGON LASS (D Eckley) D Eckley 8-12-7 ... —
2 0-12300 RIBO CHARTER (N Robertson) M Chapman 5-11-10 ... G Charles-Jones 7
4 00-0423 NORMANDY LAD (Mrs H Atwood) W Jenks 6-11-5 ... R Davies
7 20-p03 MAD FOR ACTION (J. Scott 'Thrapston' Ltd) R Fisher 6-11-1 ... D Goulding
8 0-03000 BARROW (D Chidley) Mrs M Rimell 8-10-13 ... T Heath 7
18 030003 WALDUCK (CD) (T Hodgkins) M Chapman 5-10-7 ... P Dever 7
20 3000f STANS PRIDE (Mrs M Morgan) G H Price 5-10-6 ... R Crank
21 000000 MR MYND (G Buckingham-Bawden) S Wright 5-10-3 ... DOUBTFUL
22 u4f244 MICHAELMAS DAISY (T Bracewell) J Wilson 5-10-0 ... —
24 2-04200 BOLD TREATY (R Morris) R Morris 5-10-0 ... M Morris

15-8 Mad for Action, 11-4 Normandy Lad, 4 Ribo Charter, 6 Walduck, 8 Barrow, 10 Stans Pride, 16 others.

3.30 WREXHAM CHASE (5-yo Novice: £1,200. £768 2m 160yd) (10)

1 411144 IMPERIUM (Mrs W Nehora) J Old 11-10 ... Mr A Wilson
2 2ff11u SALDATORE (Mrs M Skinner) D Morley 11-10 ... P Scudamore
3 0f-0000 CLAYMORE (B Gordon) J Townson 10-10 ... Mr K Darby
5 033303 FRED PILLINER (N JOHNSON) M Scudamore 10-10 ... H Dawes
7 000004 GENEROUS BID (Mrs K Lloyd) S Wright 10-10 ... A O'Hagan (4)
8 003000 HEADSTONE (Venper Ceilings) P Burgoyne 10-10 ... G McNally
10 000uu OFFLEYROCK (Mrs P Sherwin) R Fisher 10-10 ... R Davies
12 pp0 SEVERN COURT (H Pugh) H Pugh 10-10 ... DOUBTFUL
13 0u1001 SICILLIAN GOLD (K McCourt) M Chapman 10-10 ... G Charles-Jones (7)
16 010000 WHITE'S UMBRELLA (B Hibberts) P Bean 10-10 ... A Coogan

9-4 Saldatore, 3 Sicilian Gold, 9-2 Imperium, 6 Fred Pillnor, 7 Generous Bid, 8 Headstone, 33 others.

4.0 OSWESTRY CHASE (Handicap: £1,371: 2½m 70yd) (8)

1 102/11p FRENCH SAINT (Lady S Keswick) D Morley 8-12-7 ... P Scudamore
3 310-111 BRAVEN (Mrs M Haggas) M Dickinson 8-11-7 (5 ex) ... D Goulding
6 110211 RUPERTINO (C) (Mrs B Heaton) E Owen jun 7-10-11 ... M Elliott 4
7 002143 GO FREE (C) (S Jones) B Cambridge 9-10-10 ... A Sharpe 7
12 11/1-00 JESTER'S NIGHT (Mrs R McLaughlin) R E Peacock 9-10-4 ... R Davies
17 010304 FLUTTERMERE (Miss N Taylor) R E Peacock 11-10-0 ... T Wall 7
21 210fp-p KALLIOPE (Mrs C Black) Mrs C Black 9-10-0 ... Mrs G Rees 7
23 40f400 BALLET MASTER (Ld Harlech) A W Jones 9-10-0 ... S Keightley 4

11-8 Rupertino, 7-4 Braven, 6 Go Free, 8 French Saint, 12 Jester's Night, 20 others.

4.30 CHIRK NOVICES' HURDLE (novices: £414 2m 80yd) (11)

2 0 CHOCOLATE DROP (Mrs R Williams) J Edwards 10-7 ... P Blacker
3 *DEEP LOVE (S Romano) R Fisher 10-7 ... D Goulding*
5 0 HENGCHOW (C Bridgett) C Bridgett 10-7 ... C Bridgett 4
7 00 KING'S JUG (David Timothy Ltd) Mrs M Rimell 10-7 ... A Sharpe 7
8 0u KNIGHT'S LADY (C Ratcliff) Mrs A Ratcliff 10-7 ... Mrs A Ratcliff
9 LANDFORT (Mrs P Grainger) M Oliver 10-7 ... P Hobbs
12 OPTIMUM (R Fisher) R Fisher 10-7 ... R Davies
13 PRIDE O'FIFE (I Hughes) J Edwards 10-7 ... DOUBTFUL
14 00000 ROYAL TYCOON (A Brisbourne) A Brisbourne 10-7 ... M Brisbourne
16 p SPRINGALIANCE (B Hicks) J Bradley 10-7 ... G Jones
17 u0f03 SWITCH OFF (Mrs J Evans) Mrs J Evans 10-7 ... A O'Hagan 4

2 Deep Love, 5-2 King's Jug, 4 Switch Off, 6 Chocolate Drop, 8 Landfort, 12 Optimum, 16 others.

Peter Scudamore: rode three winners at Folkestone to go one ahead of John Francome in the jockey's title race.

Folkestone results

1 45 (1.48) DEAL HURDLE (Div 1: novices: £882 20 2m 110yd)
SIR GIVENCHY ch c by High Line — Topoless (Mrs J Dunlap) 4 10 11 P Scudamore (7-2) 1
Motivate ... B McGarrigle (2-1 Fav) 2
Fabulous Dunce ... R Berry (7-2) 3
Tote win: 45p; Places: 19, 10, 11p Dual 40p CSR £1 03. W Musson at Newmarket. 2l, 3l. Low Tide (6-1) 4th. 10 ran

2.15 (2.16) WINCHELSEA CHASE (Novices: selling: £842: 2½m)
SPRINGFIELDCRACKER ch g Cracksman — Daraheen Lady (J Gaisford) 8 11 2 R Goldstein (7-4 Fav) 1
Poor Son ... J Lovejoy (6-1) 2
Shergold ... A Taylor (33-1) 3
Tote win: 28p, Places: 15p, 16p, 56p, Dual Forecast 80p. CSF: £1 33 J Jenkins as Horsham ¾l, 7l. Halley Road (12-1) 4th. 10 ran. NR: Studland.

2.45 (2.55) GAY RECORD CHASE (Handicap: £2,837 3¼m)
TRAGUS b g by Tanerko — Nectandra (Lord Hartington) 10 12 7 P Scudamore (5-2) 1
Seed Pearl ... R Rowe (2-1) 2
Kas ... G Gracey (20-1) 3
TOTE: Win, 36p; places, 16p, 11p, 71p Dual F 40p. CSF 75p Tricast: £6.70 D Morley at Bury St Edmunds. 6l, 10l. Jimmy Miff (14-1) 4th. 12 ran.

3.15 (3 24 ERIDGE HURDLE (Handicap. £1,906 2m 5f)
CHEKA br g by Russian Bank — Sweet Seventeen (P Mellon) 6 11 0 B Reilly (13-8 Fav) 1
Brighton Manna ... R Rowell (13-2) 2
Franciscus ... T Heeney (3-1) 3
TOTE: win, 25p: places, 10p, 31p, 11p, 16p. Dual F 92p CSF: £1.27 Tricast: £2.66 I. Balding at Kingsclere. ½l, ¾l. Cold Justice (8-1) 4th. 16 ran.

3 45 (3.25) TENTERDEN CHASE (Hunters: £871 2½m)
MR MELLORS br g by Precipice Wood — Lady C (Mrs A Villar) 9 12 0 Mrs L. Gibbon (5-11) 1
Roadhead ... Miss M Wilson (8-11 fav) 2
Rambilx ... T Head (14-1) 3
Tote: Win, 85p; places, 10p, 10, 24p. Dual 25p CFS; 87p. Mrs A Villar at Bury St Edmunds. ½ l, 15 l. Bachelors Hall (7-2) 4thh, 11 ran.

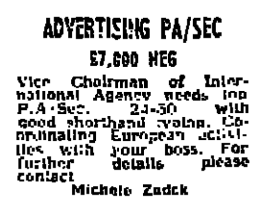
4 15 (4.20) DEAL HURDLE (Div II: novices £715: 2m 100yd)
LEFT BANK b c by Cavan or Galway — Ask Gloria (G. Beccle) 4-10-4 P. Scudamore (9-4 Fav) 1
Mon's Beau ... M. Perrett (7-1) 2
Hattan ... R. G. Hughes (11-2) 3
TOTE: Win, 50p: places, 27p, 35p, 22p. Dual F £1.24 CSF £1.98. D. Morley at Bury St Edmunds. 5l, ¾l. Tower Win (11-2) 4th. 17 ran

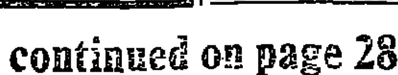
4.45 (4 48) DEAL HURDLE (Div III: novices: £701: 2m 100yd)
BUSTABY b g by Busted — Steat (D. Mills) 6-11-3 R. Goldstein (33-1) 1
Rockbarton ... R. Rowe (25-1) 2
Bottled Boy ... R. Rowell (20-1) 3
TOTE: win, £1 58, places, 35p, 68p, 50p. Dual F £22 98 CSF £55.76. D. Mills at Heathfield 1l, 1½l. Noon Gûn 10-11 fav. Quillery (7-1) 4th. 14 ran.
PLACEPOT £1.25.

(continued on page 30)









continued on page 28

 also on page 27

Secretaries with administrative flair...

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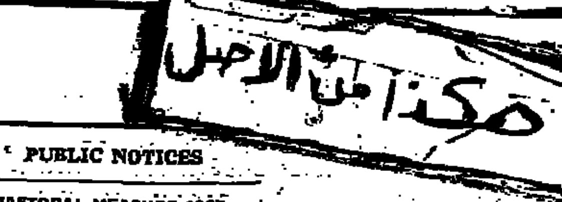
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Residential property by Baron Phillips

A healthy market for expensive homes

In spite of the recession many London residential estate agents report a healthy market for expensive homes in the capital. Mr Gary Hersham of Beauchamp Estates, Curzon Street, says that there is no shortage of buyers' homes about the £500,000 mark.

His agency has just taken instruction on a small Mayfair house which is on the market for half a million pounds with the benefit of a 53-year lease. Incredibly, Mr Hersham is extremely confident that a buyer will come forward fairly quickly.

But where the market has really died is in the £100,000-£200,000 bracket. There is, according to Mr Hersham, a huge unsold stick of redeveloped London apartments in the hands of developers who have misread the market.

Certainly there has been plenty of activity in the lower ranges of London's houses and flats market, but the buyers of more expensive property have suffered at the hands of very high interest rates.

Even though most banks, and some building societies, who are prepared to lend substantial sums have eradicated the differential interest rate system, the cost of repaying those large loans has become too much and the market has gone soft.

Although Mr Hersham doesn't say it, it is becoming clear that at all levels of the market there are some real bargains to be had. The one great proviso, of course, is whether the buyer is in a totally unencumbered position and not dependent on the sale of his own property before really being able to buy.

It now looks certain that when building society leaders meet tomorrow there will be a cut in interest rates. The big question is by how much? Any large reduction could do a lot to stimulate the residential market, with many sales easier to conclude.



Once rented out for a shilling a year to King Olav of Norway this Edwardian house in Newbury is on the market through the Basingstoke offices of Campbell Thomson. Known as "Woodstock" the property consists of four bedrooms, including two suites, three bathrooms and a large number of reception rooms. Within its five acres of land there is a substantial swimming pool and a two bedroomed cottage.

If Mr Clive Thornton, chief general managerof the Abbey National Building Society, has his way then 1½ points could be trimmed off interest rates, bringing them down to 13.5 per cent. This compares with bank mortgages at about 15 per cent, although National Westminister recently cut its rate to 14.5 per cent.

What this means for the housebuyer, apart from obviously cheaper mortgages, is a lift in the market with more and more people likely to be tempted to move. Although we are not going to see a headlong rush into the property market, sales are likely to pick up somewhat this spring.

If you are contemplating moving into the market then you should give it some serious thought now, while the supplies of property are still plentiful.

Although it is far too early to be anything other than cautiously optimistic, one or two signs are beginning to emerge. Housebuilders are starting to produce more homes and the number of starts for January was 10 per cent up on last year in spite of the appalling weather conditions.

Much of their activity is geared to the first time and second time buyers where they are convinced the bulk of their market lies. But even to see some movement in that area there has to be pressure on all sections of the market.

☐ On an international note, £100m is being invested in the Vale do Lobo development on the Algarve. Sole United Kingdom agents for the development, John D. Wood, report that negotiations are currently taking place with hotel groups and investors for further expansion of Vale do Lobo.

In addition to the scheme's existing 600 villas, more than half of which are British owned, a further 2,000 villas and apartments together with more shops, hotels and other facilities, are planned.

Financing your property pur chase looks set to be fraught with choice as the building societies move to cut their rates. It will be the first time they have taken the initiative on interest rates and you can expect the banks not to be far behind.

World economies apart there is some feeling in the house-building industry that interest rates may well tumble to about 11 per cent over the next 12 months which would give home owners their first real breathing space for some time.

If rates do move that low then the market will receive a real shot in the arm and we can expect prices to start rising, albeit at a slower pace than we have become used to over the last few years.

"... The more easily you get your wealth, the less good it will do you."—Proverbs 20: 21. (G.N.B.).

BIRTHS

ALLEN.—On 4th March, 1982, to Linda (née Constant) and Terry—a daughter (Louise Victoria), a sister for Stuart.

APPONYI.—On 6th March, 1982, at the Lindo Wing, St Mary's Hospital, Paddington, to Count and Countess Anthony Apponyi—a daughter.

ATTERBURY THOMAS.—On March 5th to Anita and David—a daughter (Rosa Melody).

BROWNLOW. — On 8th March 1982, at Mill Road Maternity Hospital, Cambridge, to Amanda and William, a daughter, Laura.

CLARKE.—On 8th March at The Mayday Hospital to Irene and Stefan—a son (James), a brother for Simon, Dominic and Sinead.

COLE. — On the 7th of March to Charlotte (née Newton) and Richard, a daughter.

FORTUNE.—On March 7th, at St Thomas's Hospital, to Jane (née Tysoe) and Malcolm—a daughter (Katharine Sarah).

GORDON.—On 8th March at St Teresa's, Wimbledon, to Ann (née Donald) and Charles—a lovely daughter (Annalisa Charlotte), a sister for Benedict.

GRAHAM-CAMPBELL.—On March 9th, to Sarah and Dugald—a daughter.

HARDING.—On March 5th to Anita and David Atterbury Thomas—a daughter (Rosa Melody).

HART. — On March 6th, to Stefa and Tim, a son, James Harry.

LEONARD. — On 8th March, to Sue (née Almond) and Michael, a daughter, Rebecca Joy, a sister for Josephine, Timothy and Lucinda.

LEWIS. — On 8th March at Guy's to Julia and Michael, a daughter, Eleanor Hannah Mary, sister to Paul.

MARTIN.—On 5th March in Exeter to Alison, wife of Anthony—a daughter.

MARTIN.—On March 9th in Redhill to Pam (née Richards) and Adrian—a daughter (Leonie).

MOSS. — On 8th March at Millridge, Lexington, Kentucky, a grand-daughter. Daughter for Pushy.

OWEN.—On March 8th, in Sydney, to Sally and Terry—a son.

PEEK. — On Thursday March 4th at U.C.H., to Susan (née Woollacott) and Ian, a son. Harry Alexis, a brother for Laura

DEATHS

SKINNER.—On March 8th, peacefully at home, Charles Duncan, aged 82, beloved husband of Alec and father of Eubhan, Dione, Angela and John. Funeral at Turweston on Thursday, March 11th at 11 a.m.

STAVRIDI. — On March 7th, peacefully in a London hospital, Alexander Gregory, M.B.E., late East Indian Railway, beloved and loving husband of Margaret and dear Stav to countless friends and cherished Uncle Alick to the younger generation. Funeral Service at Putney Vale Crematorium, Friday 12th of March at 11 a.m. Family flowers only, but donations, if desired, to the Royal Marsden Hospital. No letters, please.

TAYLOR, GEORGE KEVIN.—On March 9th, husband of June, father of Susan and Barry, after a long battle bravely borne.

TOWNLEY.—Suddenly on 8th March, Frank Townley of Bedgers Earth, Little Missenden, Bucks, dearly loved husband of Greta Kathleen and father of Anne Elizabeth. Funeral service at Church of St John the Baptist, Little Missenden, at 2.15 pm, Monday, 15th March, followed by cremation at Chilterns Crematorium, Amersham. Enquiries to H. J. and A. Wright, Gt. Missenden. Tel. 02408 3101.

VARDAVAS.—On 5th March in hospital, Minas, dearly loved brother of Maria and Julius. Funeral service at St. Sophia Church, Moscow Road, W2 on Thursday, 11th March at 4.00 p.m., followed by burial in Greece. Donations, if desired, may be sent to the Director of Intensive Therapy Unit, Middlesex Hospital, Mortimer Street, London, W.1.

VIATKIN VLADIMIROFF. — On March 5th, Anna Viatkin Vladimiroff. Her wish was fulfilled. Service Russian Church, Ennismore Gardens, London, SW7, 3.15 p.m. Friday 12th March, followed by cremation.

WALLACE.—On March 7th at St Helen's Hospital, Hastings, Hugh Munro Wallace, MBE, aged 50, of Wintons, Icklesham, East Sussex, late of Rhodesia, Ethiopia, Liberia, Kenya. Much loved brother of Barbara. Service at St Nicholas Church, Icklesham on Friday, 12th March, at 2.45, followed by private cremation. Flowers to Ellis Brothers, Rye, or donations to the British Heart Foundation.

WILLIS, HELEN FRANCES.—Beloved wife of the late Sir Frank Willis and dear sister of Joan, peacefully at Fielding House, Highgate. Funeral service at Golders Green Crematorium, on Monday, 15th March, at 3.10 pm. No flowers but if desired

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PERSONAL COLUMNS

ALSO ON PAGE 27

HOLIDAYS AND VILLAS

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Today's television and radio programmes

Edited by Peter Dear

BBC 1

6.40 Open University: Project FAMOUS 7.05 Origins 7.30 Ethology: Newts to Newborns 7.55 Closedown 9.05 For Schools, Colleges: Manufacturing in Plastic 9.38 Science: Cleaning 10.00 You and Me For the very young (not schools) (r) 10.15 Maths 10.38 Home Economics 11.00 Words and Pictures 11.17 Music and Dance 11.40 Pattern in Place 12.05 French conversation 12.30 News After Noon with Richard Whitmore and Moira Stuart 12.57 Regional news (London andSE only: Financial report and news headlines with subtitles) 1.00 Pebble Mill at One includes Shirley Goode with recipes to feed a family of four on £25 a week 1.45 Postman Pat 2.01 For Schools, Colleges: Dinosaurs: 2 2.18 Near and Far 2.40 Viking Raiders 3.05 Songs of Praise from the Parish Church of St Mary Magdalene, Woodstock, introduced by Geoffrey Wheeler 3.40 Play it Safe! Child safety hints from Jimmy Savile (r) 3.53 Regional news (not London)

3.55 Play School. For the under fives (shown earlier on BBC 2).
4.20 Cartoon: Pixie and Dixie in Scaredy Cat Dog (r).
4.25 Jackanory. Ann Morrish reads part three of The Multiplying Glass.
4.40 Take Hart. Tony Hart with his pet, Morph, look at distortion.
5.00 John Craven's Newsround.
5.10 Grandad. Clive Dunn stars as the elderly caretaker.
5.35 Ivor the Engine in The Rescue (r).
5.40 News with Richard Baker.
6.00 South East at Six.
6.25 Nationwide.
6.55 Rolf Harris Cartoon Time. He introduces four funnies - three with Droopy and one, I'm Just Wild about Jerry, featuring Tom and Jerry.
7.25 Film: Sky Heist (1975) starring Don Meredith and Joseph Campanella, Frank Gorshin and Stefanie Powers. *The story of a gold bullion theft worth $10 million and how it was foiled by the helicopters of the Aero Bureau of the Los Angeles Sheriff Department. It was a pilot film for a series that was grounded.*

9.00 *News with John Humphrys.*
9.25 The Budget. For the opposition the shadow chancellor, Peter Shore.
9.35 Sportnight introduced by Harry Carpenter. The line-up is: World Figure Skating Championships from Copenhagen including a special report on our world Ice Dance *champions Jayne Torvill and Christopher* Dean. The commentators are Alan Weeks and Robin Cousins: Athletics from Milan, highlights of the International Golden Gala at the Pallazzo Dello Sport introduced by David Coleman.
10.58 News headlines.
11.00 Parkinson. His only guest tonight is the well-travelled Alan Whicker who talks about his journeyings of the past quarter of a century.
12.00 Weather.

BBC 2

6.40 Open University: Maths: Isomorphisms 7.05 Primary Sources: Stratford-upon-Avon 7.30 'Miracles' at Lourdes 7.55 Closedown 10.20 Gharbar. A magazine programme of interest to Asian women. 10.45 Closedown 11.00 Play School. A programme for the under fives presented by Carol Leader and Iain Lauchlan. The story is The Frog taken from Arnold Noel's Frog and Toad All Year 11.25 Closedown 12.30 Open University: Developing Mathematical Thinking: Setting Up and Solving 3.55 Landscapes of England. In the ninth of his tours of exploration Professor W. G. Hoskins visits the Peak District of Derbyshire to see how the two industries related to the area produced their own language.

4.20 The Circus Moves On — In Calabria. The out-of-ring life of the Circus Embelliva (r)
5.10 Riccio: Bronze Statuettes. The technique of Andrea Riccio (r)
5.40 Laurel and Hardy in Them Thar Hills* (1934)
6.00 The Water Margin. Adventures of legendary Chinese knights
6.45 The Making of Mankind. Part five and Richard Leakey the cave drawings of Lascaux (r)
7.35 News
7.40 The Master Game. Jeremy James presents Game six in the international chess tournament. Tonight Walter Browne of the United States meets the young West German *Eric Lobron.*
8.10 Chronicle: China — Treasures of the Cultural Revolution. A *remarkable film made by the* Chinese authorities that charts the archaeological discoveries of the Cultural Revolution.

9.00 *M*A*S*H.* Hawkeye hears that a surgeon he dislikes intensely is planning to visit the 7044th. He immediately volunteers for frontline duty to escape the company of the man. But once he settles himself in the firing line he is horrified to be joined by you know who.
9.25 Nancy Astor. Episode five and Nancy becomes the mistress of Cliveden on marrying Waldorf Astor. She encourages his dormant political ambitions and he becomes a candidate in the unsafe seat of Plymouth
10.15 Out of Court. Nick Ross and Jane Walmsley with the latest news from the Courts around the country
10.45 The Budget. The shadow *chancellor, Peter Shore, replies* for the opposition
10.55 Newsnight.

ITV/LONDON

9.30 For Schools: For the hearing impaired: Flight. 9.47 Shire Horses. 10.04 A visit to a plastics factory. 10.18 A tourist trip to Saumur. 10.38 The problems of a one-parent family. 11.02 Slate mining in Wales. 11.20 A school leisure centre. 11.39 The Festival of Britain. 12.00 Windfalls with Jenny Kenna. 12.10 Rainbow. For the young. 12.30 Movie Memories introduced by Roy Hudd. His studio guest is Richard Todd. 1.00 News. 1.20 Thames news. 1.30 Take the High Road. *Drama series set on a Highland estate.* 2.00 After Noon Plus. Among the items is a look at a company that makes clothes for people less than 5ft 2in tall. In addition Kay Avila talks about the new booklet, School Choice Appeals. 2.45 The Sandbaggers. Secret service adventures starring Roy Marsden. *This week he is sent on holiday and his deputy is intimidated by the CIA (r).* 3.45 Definition. Pete Murray and Aimee MacDonald are Don Moss's guests this week.

4.15 Cartoon. Dr Snuggles (r).
4.20 Animals in Action. How they eat without the aid of knives and forks.
4.45 Murphy's Mob. Adventures of a football club.
5.15 Emmerdale Farm. Amos Brearly is interviewed by a reporter.
5.45 News. 6.00 Thames news.
6.25 Help! Viv Taylor Gee with news of courses in the Thames area that instruct ladies in self-defence.
6.35 Crossroads. The motel business is explained to Arif Malik.
7.00 This is Your Life. An unsuspecting celebrity receives the shock of a lifetime from the man with the smile and a red book.
7.30 Coronation Street. Trouble's brewing at the factory.
8.00 Starburst. A lively eight-act variety show featuring singers The Nolans, Elaine Paige and Gerard Kenny; comedians Dave Wolfe, Peter Price and Joe Longthorne; and ventriloquist *Ken Wood. Also appearing,* making their television debut, is new group St Valentine's Day Orchestra.

9.00 *Minder: Why Pay Tax? Terry is minding* Barry, an illegal bookie who is having a cash flow problem. Arthur advises Barry to take an early holiday but Terry doesn't agree when he finds out that Barry is involving a pretty widow in his troubles. Starring George Cole, Dennis Waterman with Michael Medwin as the crooked bookie.
10.00 News.
10.30 The Budget. Labour shadow chancellor, Peter Shore, replies for the Opposition.
10.40 Mid-week Sports Special. Dominating the show tonight is the World Ice Skating *Championship in Copenhagen. The* commentator at the rink-side is Simon Reed. In addition there is a look forward to Saturday's Football League Cup Final between Liverpool and Tottenham Hotspur.
11.40 Barney Miller investigates a Computer Crime.
12.25 Close with Ann Todd.

Radio 4

6.00 News Briefing.
6.10 Farming Today.
6.30 Today.
8.33 Yesterday in Parliament.
8.57 Weather.
9.00 News.
9.05 Midweek: Henry Kelly.†
10.00 News.
10.02 Gardeners' Question Time. Listeners' questions.
10.30 Daily Service.
10.45 Morning Story: *"A Passing of Strangers" by Jill Norris.*
11.00 News and Travel.
11.05 Baker's Dozen.
12.00 News.
12.02 You and Yours.
12.27 Around the World in 25 years with Johnny Morris.
12.55 Weather and Travel.
1.00 The World at One.
1.40 The Archers.
2.00 News.
2.02 Woman's Hour.
3.00 News and Travel.
3.02 Play: "Hamish and Max" by James Cameron.
3.50 Smith Invades the Capital. *Phil Smith explores.*
4.00 Moonshine and Dancing. Stories, song and verse about dancing.
4.45 Story Time: "The Canon In Residence" by Victor L. Whitechurch (2).
5.00 PM.
5.55 Weather.
6.00 News and Financial Report.
6.30 My Word! A panel game.†
7.00 News.
7.05 The Archers.
7.20 Checkpoint.
7.45 A Little Bit of Scotland. The *story of the Scottish Missions in Malawi.*
8.45 File on 4. Major issues, important events at home and abroad.
9.30 Kaleidoscope.
9.59 Weather.
10.00 The World Tonight: News - the Budget.
10.30 Quote...Unquote.†
11.00 A Book at Bedtime: "A Confederacy of Dunces" by John Kennedy (13).
11.15 The Financial World Tonight.
11.30 Today in Parliament.
12.00 News and Weather.
VHF with If above except as follows: 6.25-6.30 Weather and Travel. 10.00 For Schools. 10.00 Music Makers. 10.20 Something to Think About. 10.30-10.45 Listen with Mother. 11.00-12.00 For Schools. 11.00 Singing Together. 11.20Springboard. 11.40 Quest. 1.55pm Programme News. 2.00-3.00 For Schools. 2.00 Movement and Drama I. 2.25 Country Dancing. 2.45 Nature. 5.50-5.55 PM (continued). 11.00 Study on 4 African and Caribbean Writing. 11.30-12.10am Open University. 11.30 Popular Art. 11.50 Personality Assessment.

Radio 3

6.55 Weather.
7.00 News.
7.05 Your Midweek Choice. Record requests: Mozart, Stanley, Rossini, Brahms.†
8.00 News.
8.05 Your Midweek Choice (continued). Ethel Smyth, Saint-Saens, Vaughan Williams.
9.00 News.
9.05 This Week's Composer. Shostakovich; records.†
10.00 Lindsay String Quartet. Recital: Tippett, Haydn.†
10.45 Philip Fowke. Piano recital: Bach, Bartok, Smetana, Chopin.†
11.40 Northern Sinfonia of England. Concert: Dvorak, Elizabeth Maconchy, Mozart.†
1.00 News
1.05 Concert Hall. Direct from Broadcasting House, London. Song recital: Ibert, Dominic Argento, Schubert, Koechlin.†
2.00 Music Weekly.†
2.50 Jazzmen Talking (last in series). Bud Freeman in conversation with Charles Fox.†
4.00 Choral Evensong from Carlisle Cathedral.†
4.55 News.
5.00 Mainly for Pleasure.†
7.00 J. C. Bach. Sonata in C Op 18 No 1 for oboe and harpsichord.†
7.15 London Symphony Orchestra. Concert direct from the Barbican Hall, London. Part 1: Rossini, Prokofiev.†
7.45 Six Continents.
8.05 Concert. Part 2: Brahms.†
9.00 Scientifically Speaking. Dr Patrick Bateson talks to John Maddox about how animals choose a mate.
9.30 The Day of Judgment. Oratorio by Telemann.†
11.00 News.
11.05 William Wordsworth. The poet, as set by the composer (b. 1908), record.†
VHF ONLY — Open University: 5.55-6.55am and 11.20pm-1.00am 5.55-6.55am Earth's Physical Resources. 6.15-6.55 New Tonalities. 11.20pm Magazine Programme. 11.40 The Threat of Leviathan. 12.00 Economics and Education Policy. 12.20am 20th-century Poetry. 12.40-1.00 Irony and "Tom Jones".

Radio 2

5.00 Ray Moore.† 7.30 Terry Wogan.† 10.00 Jimmy Young.† 12.00 Gloria Hunniford.† 2.00 Ed Stewart.† 4.00 David Hamilton.† 5.45 News and Sport. 6.00 Steve Jones.† 8.00 Alan Dell. 8.30 The New Swingle Singers.† 9.00 The Folk Entertainers.† 9.30 Sounds of the Sun.† 10.00 You've Got to be Joking (new series). 10.30 Be My Guest. 11.00 Brian Matthew. 1.00 Truckers' Hour.† 2.00-5.00 You and the Night and the Music †

Radio 1

5.00 As Radio 2. 7.00 Steve Wright. *9.00 Simon Bates.* 11.30 Dave Lee Travis. 5.00 Andy Peebles. 7.00 Radio 1 Mailbag: Phone-in on 01-580 4411. 8.00 David Jensen. 10.00 John Peel.† 12.00 Close.
VHF radios 1 and 2: 5.00 with Radio 2 10.00 with Radio 1 12.00-5.00 with Radio 2

World Service

BBC World Service can be received in Western Europe on medium wave (648 kHz 463m) at the following times (GMT): 6.00 Newsdesk. 7.00 World News 7.09 Twenty-Four Hours: News Summary. 7.30 Letter From London. 7.40 Book Choice 7.45 Report on Religion 8.00 World News 8.09 Reflections 8.15 The King of Instruments. 8.30 Animal, Vegetable or Mineral? 9.00 World News 9.09 Review of the British Press 9.15 The World Today 9.30 Financial News 9.40 Look Ahead 9.45 Terry Wogan's Album Time 10.15 Classical Record Review 10.30 A Man of Pleasure 11.00 World News. 11.09 News about Britain 11.15 Listening Post 11.30 Meridian. 12.00 Radio Newsreel. 12.15 Nature Notebook 12.25 The Farming World 12.45 Sports Roundup. 1.00 World News 1.09 Twenty-Four Hours: News Summary. 1.30 Radio Theatre 2.15 Report on Religion 2.30 A Word in Edgeways 3.00 Radio Newsreel 3.15 Outlook 4.00 World News 4.09 Commentary 4.15 Musician at Large 4.45 The World Today 5.00 World News 5.09 Listening Post 5.25 The King of Instruments 8.00 World News 8.09 Twenty-Four Hours: News Summary 9.15 Marching and Waltzing 9.30 Jazz for the Asking. 10.00 World News 10.09 The World Today. 10.25 Paperback Choice. 10.30 Financial News. 10.40 Reflections 10.45 Sports Roundup. 11.00 World News 11.09 Commentary 11.15 The Instrument Makers. 11.30 Top Twenty. 12.00 World News. 12.09 News About Britain 12.15 Radio Newsreel. 12.30 Listening Post. 12.45 Smash of the Day: The Navy Lark 1.15 Outlook: News Summary 1.45 A Pattern of Faith 2.00 World News. 2.09 Review of the British Press. 2.15 Network UK 2.30 Assignment. 3.00 World News 3.09 News about Britain 3.15 The World Today. 3.30 My Word! 4.00 Newsdesk 5.45 The World Today

FREQUENCIES: Radio 1 MF 1053kHz/285m or 1089kHz/275m. Radio 2 MF 693kHz/433m or 909kHz/330m. Radio 1/2 VHF 88-91MHz Radio 3 VHF 90-92.5MHz, MF 1215kHz/247m. Radio 4 LF 200kHz/1500m and VHF 92-95MHz. Greater London Area MF 720kHz/417m LBC MF 1152khz/261m, VHF 97.3MHz. Capital MF 1548kHz/194m, VHF 95.8MHz. BBC Radio London MF 1458kHz/206m and VHF 94.9MHz World Service MF 648kHz/463m.

REGIONAL TELEVISION VARIATIONS

BBC 1

Cymru/Wales 11.17-11.40 I Ysgolion: Ffenestri. 11.40-12.05pm I ysgolion: Daearyddiaeth. 12.57-1.00 News of Wales. 2.18-2.40 I Ysgolion: Hyn O Fyd. 6.00-6.25 Wales Today. 6.55-7.15 Heddiw. 7.15-7.45 Whatever happened to the Likely lads? 7.45-8.10 *Dr Who (Part 2). 8.10-9.00 The* Rockford Files. 12.00 News and weather. Scotland 12.55-1.00 The Scottish News. 2.40-3.00 For Schools: *Around Scotland. 6.00-6.25 Reporting* Scotland. 6.50-6.55 Party Political Broadcast (Scottish National Party). 6.55-7.25 Fanfare. 12.00 News and weather. *Northern Ireland* 12.57-1.00 Northern Ireland News. 3.53-3.55 Northern Ireland News. 6.00-6.25 Scene Around Six. 6.55-7.25 *Prospect.* 12.00 *News and weather.* England 6.00-6.25pm Regional News magazines. 6.55-7.25 East - Sounds New. London and South-East - Rolf *Harris Cartoon Time. Midlands - Me* and My Town. North - Lifelines. North East - Eureka! North West - Finding Out. South - South Sport. South West -uu Country Scene. West - RPM. 12.05am Close.

ULSTER

As Thames except: 1.20 pm-1.30 Lunchtime. 5.15 Radio. 5.30-5.45 *Good Evening Ulster. 6.00-6.35 Good* Evening Ulster. 11.40 News at Bedtime, followed by Closedown.

TVS

As Thames except: 1.20pm-1.30 News. 5.15 Radio. 5.30-5.45 Coast to Coast. 6.00-6.35 Coast to Coast. 11.40 Jazz and Blues: B. B. King. 12.10am Company, Closedown.

GRANADA

As Thames except: 12.30 pm-1.00 Mr and Mrs. 1.20 Granada Reports 1.30 Exchange Flags. 2.00 Take the High *Road. 2.30-2.45 Multi-million Viewer* Audition. 5.15-5.45 Mr Merlin. 6.00 This is Your Right. 6.05 Crossroads. 6.30-7.00 Granada Reports. 11.40 *New Avengers. 12.45 am Closedown.*

SCOTTISH

As Thames except: 1.20pm News. 1.30-2.00 A Full Life: Sir John Clements. 5.10 Tales of Crime. 5.20-*5.45 Crossroads. 6.00 Scotland* Today. 6.15 Action Line. 6.25 Political broadcast by the Scottish National Party. 6.30-7.00 Report. 11.40 Late *Call. 11.45 And then Came Bronson.* 12.40am Closedown.


Muriel Romanes: ITV 1.30pm

YORKSHIRE

As Thames except: 1.20 pm-1.30 News. 5.15-5.45 Private Benjamin. 6.00-6.35 Calendar. 11.40 Living Legends of Jazz and *Blues:* Spyrogyra. 12.10 am Closedown.

GRAMPIAN

As Thames except: Starts 9.25 am-9.30 First Thing. 1.20 pm-1.30 News 6.00 North Tonight. 6.30-6.35 *Political* Broadcast by Scottish National Party. 11.40 Sounds of . . . Wynford Evans. 11.55 News. 12.00 Closedown.

TYNE TEES

As Thames except: Starts 9.20 am Good Word. 9.25-9.30 News. 1.20 pm News. 1.25-1.30 Where the Jobs Are. 5.15-5.45 Private Benjamin. 6.00 News. 6.02 Crossroads. 6.25-7.00 Northern Life. With Tom Coyne. 11.40 Pavilion Folk. 12.10 am Reconciliation. 12.15 Closedown.

HTV

As Thames except: 1.20 pm-1.30 News. 3.45-4.15 History Makers. 5.10 Ask Oscar! 5.20-5.45 Crossroads. 6.00 News. 6.30-7.00 Sing a Song With Me. 11.40 Monte Carlo Show. Anne Murray and Rod McKuen. 12.40 am Closedown.

HTV CYMRU/WALES

As HTV West except: 12.00 pm-12.10 *Ty Bach Twt. 4.15 Mr Merlin. 4.45 Y* Rhellffordd Gudd. 5.10-5.20 Dick Tracy. 6.00 Y Dydd. 6.15-6.30 Report Wales with Michael Lloyd-Williams.

ANGLIA

As Thames except: 1.20 pm-1.30 News. 6.00-6.35 About Anglia 11.40 Love American Style. 12.05 am Big *Question.*

CENTRAL

As Thames except: 1.20pm-1.30 News. 5.15-5.45 Radio 6.00 Crossroads. 6.25-7.00 News 11.40 Untouchables (Robert Stack). 1.25am Closedown.

TSW

As Thames except: 1.20pm-1.30 News 5.15 Gus Honeybun 5.20-5.45 Crossroads. 6.00 Today South West. 6.30-7.00 A day in the life, John Alderson, chief constable of Devon and Cornwall. 11.40 Pans by Night. 12.10am Postscript. 12.16 Closedown

CHANNEL

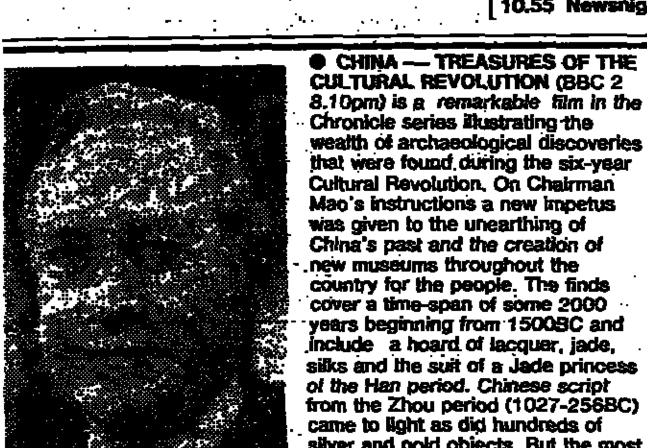
As Thames except: 12.30 Election 72: Guernsey Election for Deputies. 1.20-1.30 News 5.20-5.45 Crossroads. 6.00 Channel Report. 6.30-7.00 Bailey's Bird. 10.28 News 10.32 Chance to meet...Jasper Carrott. 10.44 Midweek Sports Special. 11.40 Pans by Night: Montparnasse. 12.10 Epilogue followed by Closedown

BORDER

As Thames except: 1.20pm-1.30 News. 5.15-5.45 Radio. 6.00 Lookaround. 6.30-6.35 Scottish *National Party political broadcast.* 11.40 News. 11.43 Closedown.

WHAT THE SYMBOLS MEAN: † STEREO * BLACK AND WHITE (r) REPEAT

CHOICE


Richard Todd: ITV 12.30pm

● CHINA — TREASURES OF THE CULTURAL REVOLUTION (BBC 2 *8.10pm) is a remarkable film in the* Chronicle series illustrating the wealth of archaeological discoveries that were found during the six-year Cultural Revolution. On Chairman Mao's instructions a new impetus was given to the unearthing of *China's past and the creation of* new museums throughout the country for the people. The finds cover a time-span of some 2000 years beginning *from* 1500BC and include a hoard of lacquer, jade, silks and the suit of a Jade princess *of the Han period. Chinese script* from the Zhou period (1027-256BC) came to light as did hundreds of silver and gold objects. But the most important find was that of two bodies from the Han period, which is parallel with the time of Christ. Both bodies were intact. Thanks to the way they were buried they were protected from bacteria and the doctors and medical archaeologists were able to examine the bodies in minute detail. This film, made by China Films of Peking, is a *breathtaking tribute to China's rich* past and a salute to the skill of their modern Archaeologists

● SCIENTIFICALLY SPEAKING (Radio 3 9.00) takes a look at the way some animals choose a mate. In some cases there is no evidence *of discrimination whatsoever but in* others, notably the Japanese Quail, it has been established that the process of selection is a highly developed faculty. Dr Patrick Bateson of Cambridge University discusses with John Maddox the *implications of his discovery that* these quails prefer the company of their own first cousins and whether *this gives any clues to human* behaviour.

● HAMISH AND MAX (Radio 4 3.02pm) the Afternoon Theatre production, is a play by journalist James Cameron who drew on his *own experiences with his late father* which he chronicled in his autobiography, Point of Departure. Max is a barrister who supplements his meagre fees by writing cheap romantic fiction. He has been a shattered man since the death of his *wife and taken heavily to the demon* drink. Hamish is his journalist son who dotes on him. Such is his love that he tries to shield his father's weaknesses from the outside world with tender results. Max is played by Frank Middlemass and Hamish by Nigel Anthony

Law Report March 10 1982 House of Lords

Land disposal attracts development tax

Inland Revenue Commissioners v Metrolands (Property Finance) Ltd

Before Lord Wilberforce, Lord Simon of Glaisdale, Lord Russell of Killowen, Lord Scarman and *Lord Bridge of Harwich*

[Speeches delivered March 4]

The sale of development land pursuant to a purchase notice served on a local council under section 180 of the Town and Country Planning Act 1971 and accepted by that council some 18 months before the introduction of development land tax, attracted liability to the tax because section 45(4) of the Development Land Tax Act 1976 applied to the disposal.

The House of Lords so held in dismissing a "leap-frog" appeal by the taxpayer company, Metrolands (Property Finance) Ltd, *from a decision of Mr Justice* Nourse (*The Times*, December 12, 1980, [1980] 1 WLR 637) that had reversed a determination of the special commissioners and had upheld an assessment to development land tax of £29,085 made in respect of the sale of land by the taxpayer company to Bolton Metropolitan Borough Council.

On October 9, 1974, the taxpayer company served a purchase notice on the council requiring it to purchase 4·31 acres of land at Westhoughton in respect of *which* planning permission had been refused. The reason for the refusal was that the council required the land *for use for educational purposes.*

On December 11, 1974, the council accepted the purchase notice. *On August 11, 1976, it was* finally agreed that compensation of £64,650 would be paid by the council to the taxpayer company.

Section 1 of the Development Land Tax Act imposes a charge on the realization of the development value of *land* as from August 1, 1976.

Section 45 of that Act determines the time of disposal or acquisition of land and subsection (2) provides: ". . . where under a contract an interest in land is disposed of and that interest . . . is acquired . . . the time at which the disposal and acquisition is made is the time the contract is made and not, if it is different, the time at which the interest is conveyed or transferred . . .".

Subsection (4) provides: ". . . where an interest in land is acquired compulsorily by an authority possessing compulsory powers, the time at which the disposal and acquisition is made *is* the time at which the compensation for the acquisition is agreed . . .".

Mr D. C. Potter, QC, Mr R. M. K. Gray and Mr N. G. A. King for the taxpayer company; Mr D. R. Woolley, QC, Mr Robert Carnwath and Viscount Dilhorne for the Crown.

LORD BRIDGE said that the Development Land Tax Act 1976, imposed a new tax, originally at the rate of 80 per cent, on the realized development value accruing to a landowner on the disposal of his interest in land on or after August 1, 1976.

The sole issue was whether the taxpayer company was chargeable to the tax on the disposal of the subject land. If, as it contended, it disposed of the land on December 20, 1974, the date of the council's compliance notice, it was not so chargeable. If it was *disposed* of, as the Crown contended, on August 11, 1976, *the date when the compensation* was agreed, it was chargeable to tax of £29,085.

The resolution of the issue *depended on the true construction* of section 45 of the 1976 Act as applied to the circumstances of the acquisition in question under the statutory machinery of the Town and Country Planning Act 1971 set in motion by the service of the purchase notice.

As section 45(2) was subject to section 45(4), it followed that the first question was whether the *land* was *"acquired compulsorily"*. If so, section 45(4) applied the disposal was on August 11, 1976, and the Crown *succeeded. If not*, a binding contract was concluded on service of the compliance notice, the disposal was on December 20, 1974, and the taxpayer company succeeded.

Section 181(2) of the Town and Country Planning Act provides: "Where the council on whom a purchase notice is served by an owner have served on him a notice in accordance with subsection 1(a) or (b) of this section, [compliance notices] the council . . . shall be deemed to be authorized to acquire the interest of the owner compulsorily in accordance with the relevant provisions, and to have served a notice to treat in respect thereof on the date of service of the notice under that subsection."

It was common ground that certain features of the ordinary compulsory purchase procedure flowed from the deeming provisions of section 181(2). However, the essence of the taxpaying company's argument was that the *service of the purchase* notice was an unconditional offer by the company to sell the land at a price to be determined, and that the council's service of the compliance notice was a voluntary and unconditional acceptance of that offer. Thus on the principle *id certum est quod certum reddi potest,* it was submitted that the offer and acceptance concluded a binding contract on December 20, 1974.

Before Mr Justice Nourse the question whether section 45(4) of the 1976 Act applied had been argued on the footing that it depended in the scope of the purpose of the *provisions of* section 181(2) of the 1971 Act.

But the application of section 45(4) to the disposal did not depend in any way on the scope of *the deeming provisions of* section 181(2). It depended on the much broader and simpler question, whether the whole process of the acquisition by the council of the land was or was not properly described as compulsory for the purposes of section 45(4).

The starting point in the quest for the true interpretation of section 45(4) was found in subsection (8). Subsection (4) was expressly *made subject* to subsection (8) which expressly provided that a disposal pursuant to a notice to treat deemed to have been served before September 13, 1974, "shall be treated as having been made before the appointed day"; in other words should be exempt from liability *to the* tax to which, if the compensation was not agreed or determined until on or after the appointed day, the disposal would *otherwise* be *subject* by the operation of subsection (4).

That collocation clearly indicated that the two subsections were drafted on the hypothesis that the class of statutory acquisitions involving the deemed *service* of a notice to treat fell within the ambit of subsection (4) and hence required the exemption provided by subsection (8). *The draftsman* could not have intended that any of the class should be left in limbo, with the all-important date of disposal not determinable *under the* provisions of section 45. If all acquisitions under statutory machinery pursuant to notices to treat deemed to have been served could fairly be described as compulsory, there was no need, *such as there* clearly was in subsection (8), to add any express amplifying words in subsection (4) to cover the case of such acquisitions.

Those considerations, although not conclusive, made it legitimate *to approach the application* of section 45(4) to an acquisition under the purchase notice procedure of the 1971 Act, and in particular to the circumstances of the acquisition in issue in this appeal, with a strong disinclination to give *any narrow* or restrictive interpretation to the words "acquired compulsorily" in section 45(4).

An acquisition could fairly be described as compulsory, whether the compulsion to *acquire was exercised* by the acquiring authority against the landowner (commonly called a "compulsory purchase") or vice versa (sometimes called a "reverse compulsory purchase").

Finding then that an acquisition pursuant to a *purchase* notice under section 180 was plainly a compulsory acquisition, *it would be a surprising anomaly* if a different conclusion resulted when the acquisition took effect by way of the parallel deeming provisions under section 181(2).

Moreover, considering the nature of the purchase notice procedure as a whole, it was clear *that in reality it was a claim by a* landowner to enforce a statutory right *to dispose* of the land and receive compensation. And, providing *the owner could make* good his claim that the land had become incapable of reasonably beneficial use, the notice had to lead either to acquisition by the council or other local authority or to a decision by the secretary of state that permission for some appropriate development *should* be granted.

In an ordinary case, service of a compliance notice under section 181(1) was likely to result rather from the constraints placed on a council than from a free act of volition: in any event the constraints were inherent in the statutory machinery.

Land acquired pursuant to a purchase notice by way of a compliance notice was just as aptly described as "acquired compulsorily" under section 45(4) as if it had been acquired by way of confirmation of the purchase notice under section 183(1) and the deeming provisions under section 186(1).

It followed that the taxpayer company had to be taken to have *disposed* of the land on August 11, 1976 and to be chargeable to the tax. The appeal should be dismissed with costs.

Lord Wilberforce, Lord Simon, Lord Russell and Lord Scarman agreed.

Solicitors: Whitehouse, Gibson & Alton for Henry Fallows & Co, Bolton; Solicitor of Inland Revenue.

No constructive trust once trust declared

Godwin v Bedwell

The Court of *Appeal (Lord* Denning, Master of the Rolls, Lord Justice Griffiths and Lord Justice Kerr) applying the words of Lord Justice Buckley in *Pink v Lawrence* ((1978) 36 P & C R, 98, 101) held on March 4 that where there was an express *declaration* of trust, the doctrine of constructive trusts could not be invoked to contradict the expressly declared trust.

The doctrine of constructive trusts applied in circumstances *where there was* no declared trust. Once a trust had been effectively declared, it could only be got rid of by rescinding the document containing the declaration of trust on the ground of fraud or mistake, or rectifying it so as to vary or delete the declaration of trust.

Anger as child is 'legally stolen'

By Michael Horsnell

The case of an unmarried mother who has been refused permission to see her son, aged five, is to be raised in the House of Commons today after a professor of paediatrics said the child had been "legally stolen" by social workers.

Mrs Caroline Pritchard, aged 25, from Liverpool, has not been allowed to see her son, Francis, since November and the city council even refused to tell her where he was.

Her case has been taken up without success by Mr David Alton, Liberal MP for Liverpool, Edge Hill, who will introduce a 10-Minute Rule Bill today in an attempt to strengthen the rights of parents whose children are taken into care.

A year ago Mrs Pritchard separated from the child's father and temporarily handed Francis into the care of the social services department. In May the department successfully applied to magistrates for a care order. Mrs Pritchard applied to have her son restored to her recently but lost her appeal at Liverpool Crown Court in chambers before Judge Henry Lachs.

Mrs Pritchard claims she was warned by social workers that if she appealed she would not be allowed to see her son again.

She is supported by Professor Ralph Hendricks, a consultant paediatrician at Alder Hey Children's Hospital, Liverpool, who has known mother and child for three years and treated Francis when he was ill.

He said: "The child has been legally stolen by social workers who think they know best. From all my observations Mrs Pritchard has been a good mother. There is not a shred of evidence that he has ever suffered physical or emotional hardship from her, quite the reverse.

"I should like to know why on earth they should have been separated. The mother is not a psychopath, nor has she any psychiatric illness. Some of the things said to this woman have been almost in the category of mental cruelty. The effect is something which I find quite appalling."

Mr Alton said: "There seems to be no way for Mrs Pritchard to break out of the nightmare. Social workers have too much power. The law needs to be changed and parents' rights restored."

Prince Edward: 18 today



Prince Edward's labrador bitch Frances tends to be more interested in the ducks by the lake in the gardens of Buckingham Palace than photography but a little friendly persuasion by her master finally produced this study by Tim Graham, the Fleet Street freelance photographer, to mark the Prince's eighteenth birthday today.

Prince Edward will pass the attainment of his majority quietly at Gordonstoun, where he is studying for A level examinations this summer in history, English, and politics with economics. No special celebration is planned, but the Queen has sent her son a birthday cake.

His coming of age technically allows Prince Edward to vote but by tradition the Royal Family do not do so.

Civil List, Page 2

Russia loses patience with Khomeini

From Michael Binyon, Moscow, March 9

After three years of patient attempts to woo Iran, the Russians today launched an angry attack on the Khomeini regime, accusing "extreme right-wing forces" of doing everything possible to hinder good relations with the Soviet Union.

A *Pravda* article marking the anniversary of the fall of the Shah said his removal and the destruction of American influence in Iran should have laid the basis for close relations between Moscow and Tehran. The Russians supported the Islamic revolution, they wanted to see Iran free and independent, and they had offered the new regime substantial help in overcoming American sanctions and increasing transit routes through Soviet territory.

But instead, the newspaper noted with more than a touch of bitterness, apart from a modest revival of economic links, things had gone from bad to worse. The Iranian authorities had cut back the number of Soviet diplomats in the Soviet Embassy, closed a Soviet consulate and the Russo-Iranian Bank, denied visas to Soviet correspondents and curtailed Soviet cultural activities in Iran.

All this had been accompanied by a virulent anti-Soviet propaganda campaign, demonstrations and insults heaped on a visiting delegation of Soviet Muslims.

What *Pravda* found particularly galling was the way Iran placed the Russians on the same footing as the Americans. It was a "deliberate distortion" to say that both countries presented an equal threat to Iran, far from the "real fact" of political life, *Pravda* added.

Clearly Moscow has lost patience with the ayatollah. After three years of turning the other cheek, ignoring Iranian attacks, attempting to woo Iran with aid, economic co-operation and political support against the Americans, it has decided there is not much profit in identifying itself any longer with the strongly anti-Communist regime in Tehran.

The Russians are increasingly angered by the continuing execution of leftists and the suppression of the Tudeh Communist Party, by Iranian support for Afghan rebels and refusal to negotiate with Kabul, and by what they call the "senseless war" against their Arab treaty ally, Iraq. They are also worried by the prospect of anarchy on their frontiers should the ayatollah die, and do not want to be identified with the increasingly unpopular Muslim fundamentalists in any future struggle for power.

Privately, commentators have made no secret of their distrust of the Khomeini Government: two years ago an *Izvestia* commentator voiced sharp hostility to what he called the "bloodthirsty" regime. They have also been angered by Iran's appeal to Soviet Muslims, which is seen here as dangerous interference in internal Soviet affairs.

Pravda today condemned the Iranians' thesis that communism and Islam were incompatible, saying the Russians had always respected religious convictions.

The article concluded by calling for proper, good-neighbourly links and declared that the Soviet Union fully supported Iran's legal rights and wish to control its own resources.

Frank Johnson in the Commons

MPs squabble over Sir Geoffrey's new toys

Budget day, like Christmas Day, is essentially a Victorian invention. Just as Christmas Day is for the children, so Budget day is for the politicians.

This year it was a joy for us grown ups to see them playing with their new tax cuts and increased pensions, or trying to wrench them away from one another as the case may be.

Of course we know that it will be tears before bedtime, that within a few months or weeks "unavoidable international factors" or "the unexpectedly long effects of the world recession" will change everything. But that is what always happens to Christmas too. No one believes that the Chancellor really does come down the chimney, but it is an agreeable conceit at the time. So chamber and galleries were full as we awaited his arrival.

This is not because Sir Geoffrey is a crowd-pulling figure. But it is the timeless, life-enhancing miracle of Budget day that we all hang on the words of an amiable, dogged Welsh lawyer.

Everyone is in his place early, except, of course, Sir Geoffrey. Mrs Thatcher, seated on the Government front bench, was in blue. Mr Edward Heath, seated on the bench below the gangway a few feet away from her, was in a blue mood. The Social Democrats, their thoughts far away on the possibility that Mr Jenkins might lose Hillhead, were in a panic. Mr Michael Foot, as we learned when he came to speak in reply to the Chancellor, was incomprehensible. All was as it should be.

The eye, as always on these occasions, strayed to the Peers' Gallery. By a fateful stroke, its most distinguished occupant had disappeared from it for ever that very morning. On Budget days, for years past, the large, round, melancholy face of Lord Butler of Saffron Waldron used to peer down into the chamber. The face was always transfixed by a slightly cynical smile, perhaps a smile of satisfaction that his reputation as the only successful postwar Chancellor was always intact. Less universally-acclaimed influences on our economy were in his place yesterday such as Lord Kaldor, or possibly it was Lord Balogh.

We scampered through the Prime Minister's questions which as always precede the Budget speech. Mr Tim Renton (Mid-Sussex, Con) asked whether the Prime Minister was satisfied with the number of economists in Government service. She replied that in 1964 there were only 21 economists in Government service, that the growth in number peaked in 1978 at 408 and that there had been a decline to 379 in 1981. It was expected that by April, 1984, the number would be around 350 to 360.

In the gallery, the heart of Lord Kaldor, or perhaps of Lord Balogh, no doubt swelled with pride. He entered Government service in 1964 when there was this miserable 21. How he must have thrilled to that figure of 408 for 1978. With what foreboding must he have contemplated the threat to his life's work in 1984. For he could not be expected to take the view of the rest of us that the economicts have put paid to the economy.

That was undoubtedly in Mr Renton's philistine mind. He drew a parallel with the decline of post-Armada Spain, which he said was caused by the fact thatone in six males was a Roman Catholic priest. Unfortunately, Mr Renton misspoke. It came out as "one in six males were in the Catholic church," which did not sound at all surprising for post-Armada Spain.

Mrs Thatcher confidently told him: "One of the reasons Spain fell was because of inflation." She may have some explaining to do next time she meets the Spanish ambassador, to whom it will be news that his country ever "fell."

And so, to Sir Geoffrey. His speech was better and more confidently delivered than in his previous Budgets. Perhaps this was because he had popular news. Taxes were coming down. He said he would break with tradition by announcing this first. But he still kept the pleasant details of the cuts until last. So the performance did not really defy the normal, stupefying conventions for the Budget speech as an art form. These are as rigid as the work of Racine. All unities are preserved.

First he lamented the complexities of the international economic situation. Then there was an hour of plot involving oil companies and similar off stage forces. Then, in a burst of rejoicing, the fall of the income tax.

THE TIMES INFORMATION SERVICE

Today's Events

Royal engagements

The Prince of Wales is admitted to the Freedom and Livery of the Worshipful Company of Pewterers, Pewterers' Hall, EC2, 12.15.

Princess Anne, Chancellor of the University of London, attends presentation ceremony at the Royal Albert Hall, 2; followed by presentation service at Westminster Cathedral, London, 5.55.

Queen Elizabeth the Queen Mother opens Kingston YMCA in Victoria Road, Surbiton, 3.30.

Princess Alice Duchess of Gloucester attends Court Luncheon of the Worshipful Company of Vintners at Vintners' Hall, EC4, 1.

New exhibitions

Pilkington's Lancastrian Lustreware, Town Hall, Albert Square, **Manchester**; Mon to Fri 8.45 to 4.45; (from today until April 16).

Landscapes by Alan Rankle, The Looking Glass, 53 Halifax Road, **Todmorden**; Wed to Sat 10 to 5, Sun 2 to 5, closed Mon and Tues; (until April 4).

William Havell Bicentenary Exhibition, Abbot Hall Art Gallery, **Kendal**; Mon to Fri 10.30 to 5.30, Sat and Sun 2 to 5; (until April 25).

Scenes from Residential Life — photographs by Roger Simmons and paintings by Mike Hollingworth, Gainsborough's House, **Sudbury, Suffolk**; Tues to Sat 10 to 12.30 and 2 to 5, Sun 2 to 5, closed Mon; (until April 4).

Royal Scottish Academy student competition and exhibition, Royal Scottish Academy, **Edinburgh**; Mon to Fri 10 to 5; Sun 2 to 5; (until March 17).

Stoneware by John Ward, Peter Dingley Gallery, 16 Meer Street, **Stratford-upon-Avon**; Mon to Sat 9.30 to 1.30 and 2.30 to 5.30; Thurs 9.30 to 1.30; (until March 27).

Vladimir Mayakovsky — Twenty Years of Work, Museum of Modern Art, 30 Pembroke Street, **Oxford**; Tues to Sat 10 to 5, Sun 2 to 5; (until May 2).

Exhibitions in progress

Paintings by Norman Adams, 1971-1981, City Museum and Art Gallery, Broad Street, Hanley, **Stoke-on-Trent**; Mon to Sat 10.30 to 5, Wed 10.30 to 8 (until April 3).

Recent work by Laura Holliday, Martyn Jones, Julie Mortimore and Philip Rawsthorne, Central Hall, University College, **Cardiff**; Mon to Sat 9 am to 10 pm (until March 19).

Talks, lectures

Digital Picture Enhancement and Restoration, by Dr S Burch, Poynting Building, **Birmingham** University, 11.

Earl Mountbatten Memorial Lecture: the East-West Balance of Terror, by Admiral of the Fleet Lord Hill-Norton, Cambridge Union Society, **Cambridge**, 8.15.

Music

Bach's St Matthew Passion, University Choir and Orchestra, King's College Chapel, **Cambridge**; part one, 5.30; part two 8.30.

Combined Choral Societies of St Albans School and High School with Harfield Philharmonic Orchestra, St Albans Abbey, 7.30.

The Times Crossword Puzzle No 15,776

ACROSS

1 eg front part — ten quite enough (3,7).
9 Cloak for masquerade spotted in play (6).
10 Put into rear, perhaps? More to the front, actually (8).
11 Not original tail, we hear, for this horse (8).
12 Number returned without Roman equivalent immediately after (4).
13 Extended by generous bakers? (4,6).
15 Vent her malice — such a lot of hot air in Venice (7).
17 Imposing arch frames Sir Henry (7).
20 Military exercise to change outer boundary (5,5).
21 River garb (4).
23 Bound to join J Fisher in game (4-4).
25 Means to declare before very long (8).
26 Putting number one first? 1 is in order (6).
27 Direct with nothing on, on stage (5-5).

DOWN

2 Far from simple art one may produce (6).
3 Somebody was willing to appoint him (8).
4 No man's land. (6,4).
5 . . under such control after novel rising (7).
6 Slight advantage for side (4).
7 Capital chap adds six more points to previous six (8).
8 Prophet Hosea story is unusual (10).
12 A minor, for example, has normal explanation (7,3).
14 European party without any standing (5,5).
16 One using rod with acute distress? (8).
18 Won't change entrance room for public building (4,4).
19 Am immersed in endless source of Japanese paperwork (7).
22 A hard wash here (6).
24 22 in this Parliament? (4).

Solution of Puzzle No 15,775

Sporting fixtures

Football: Leeds v Manchester City, 7.45; Sunderland v Southampton, 7.30. Second, third and fourth division matches plus Scottish fixtures.

Racing: NH meetings at Catterick Bridge, 2.15 and Bangor-on-Dee, 2.

Rugby Union: Club matches. UAU final: Durham v Exeter.

Real tennis: Oxford v Cambridge.

Sport on TV

BBC1: 9.25, Sportsnight featuring world figure skating championships, athletics and Cup football.

BBC2: 7.40, The Master Game — international chess.

ITV: 10.40, Mid-week Sports Special featuring ice skating and football.

Parliament today

Commons (2.30): Continuation of Budget debate.

Lords (2.30): Debate on National Health Service.

Anniversaries today

William Etty, painter, was born in York, 1787. Giuseppe Mazzini died at Pisa, 1872.

The papers

Commenting on the Budget, the **Morning Telegraph, Sheffield**, says: "The Chancellor has eased the reins a little: his job is to encourage the old nag, the British economy, to lumber forward pulling its huge load of passengers up the hill; what he failed to explain is that once up the hill there is another bigger one the other side."

The **Daily Mirror** says: "Given Sir Geoffrey's previous attempts, the Budget could have been worse, given the needs of the country, especially the unemployed, it should have been better."

Auctions today

Christie's, King Street: Printed books, 11 and 2.30. **Christie's, South Kensington**: Old and modern jewelry, 10.30; carpets and objects of art, 10.30; English and Continental pictures, 10.30 and 2; furniture, 1; arms, armour and militaria, 2. **Phillips, Blenheim Street**: Chinese and Japanese ceramics and works of art, 11; postcards and cigarette cards, 12; arms, armour and militaria, 11 and 2. **Phillips, The Old House, Station Road, Knowle, Solihull**: Paintings, watercolours, and prints, 11. **Phillips, 17a East Parade, Leeds**: Silver and jewelry, 11. **Sotheby's, Bond Street**: Modern British pictures, 11; wine, 10.30; Japanese prints, 11. **Sotheby's, Belgravia**: Collectors items, 10.30. **Stanley Gibbons, Drury House, Russell Street**: Postal history, documents and autographs, postcards, British Empire and all world stamps sale, 1.30.

Viewing

Bonhams, Montpelier Street: Modern British and Continental paintings, 9 to 3; English and Continental furniture, 9 to 3; porcelain and works of art, 9 to 5; clocks, watches, barometers and scientific instruments, 9 to 5. **Christie's, King Street**: English furniture, Eastern rugs and carpets; modern British and Irish paintings, drawings and sculpture, both 9.15 to 4.30. **Christie's, South Kensington**: Carpets and objects of art, 9.15 to 10; furniture, 9.15 to 12; European ceramics, 9.15 to 4.30; Oriental works of art, 9.15 to 4.30. **Phillips, Blenheim Street**: Postcards and cigarette cards, 9 to 11; British stamps, books, atlases, maps, silver and plate, all 9 to 4.30. **Phillips, The Old House, Station Road, Knowle, Solihull**: Paintings, watercolours and prints, 9 to 11. **Sotheby's, Bond Street**: Miniatures; English porcelain; silver; jewels; furniture and carpets; pictures—fast sale; books, all 9.30 to 4.30. **Sotheby's, Belgravia**: Photographic material; Japanese works of art, both 9.30 to 4.30.

The Pound

	Bank buys	Bank sells
Australia $	1.77	1.69
Austria Sch	31.50	29.50
Belgium Fr	88.25	83.75
Canada $	2.28	2.19
Denmark Kr	15.02	14.22
Finland Mkk	8.59	8.14
France Fr	11.40	10.80
Germany DM	4.47	4.22
Greece Dr	115.00	108.00
Hongkong $	11.00	10.40
Ireland Pt	1.25	1.20
Italy Lir	2355.00	2255.00
Japan Yn	453.00	427.00
Netherlands Gld	4.88	4.62
Norway Kr	11.30	10.70
Portugal Esc	129.50	122.50
South Africa Rd	2.00	1.85
Spain Pta	191.00	182.00
Sweden Kr	10.93	10.35
Switzerland Fr	3.53	3.31
USA $	1.87	1.80
Yugoslavia Dnr	98.00	92.00

Rates for small denomination bank notes only, as supplied yesterday by Barclays Bank International. Different rates apply to travellers' cheques and other foreign currency business.

London: The *FT* Index closed down 3.3 at 560.8.

Bus and Tube strike

No London Transport bus or underground services today, and no overnight buses tonight. Normal services expected tomorrow.

LT passenger inquiries will be manned today: 01-222 1234; or pre-recorded information on Traveline: 01-246 8031.

Flightline airport buses and National Bus Company services operating normally.

Avoid Earl's Court area if possible—congested because of Ideal Home Exhibition.

Roads

London and South-east: M4: Closed overnight between junctions 1 (A4) and 3 (Hayes).

Midlands: A5: Single line traffic N of Nuneaton. A5: Width reduced at Kilsby and Cowell bend, Northamptonshire. A442: Traffic signals at Alverley, Shropshire.

North: A533: Lane closures at Runcorn, Cheshire. A629: Roadworks on Keighley Road, Skipton, N Yorkshire. A66: Traffic lights between North Bitts and Greta Bridge, Co Durham.

Wales and West: A394: Temporary signals at Longrock, between Penzance and Marazion. A40: Roadworks at Whitemill, Dyfed. M32: Lane closures between junctions 2 and 3 (Bristol).

Scotland: A96: Roadworks SE of Huntley, Aberdeenshire. A75: Temporary lights at Threave Bridge near Castle Douglas, and E of Ringford at A711 junction. A94: Single line traffic with lights S of Coupar Angus.

Information supplied by the AA.

The Times list of best-selling books

Hardback

French Leave 1982/83	Richard Binns	Chiltern House	£3.95
Bureaucrats: How To Annoy Them!	R T Fishall	Sidgwick & Jackson	£2.80
Miller's Antiques Price Guide 1982	Martin & Judith Miller	MJM Publishers	£9.95
Flight of The Condor	Michael Andrews	Collins/BBC	£12.95
The Holy Blood and the Holy Grail	Michael Baigent, et al	Cape	£8.95
Whitaker's Almanack 1982		Whitaker	£3.00
Guinness Book of Records 1982	Norris McWhirter	Guinness Superlatives Ltd	£4.90
1982 Michelin Guide to Great Britain and Ireland		Michelin	£4.85
Masquerade	Kit Williams	Cape	£4 50
Pocket Wine Book	Hugh Johnson	Mitchell Beazley	£3 95

The Times list is based on trade sales through Hammick's to 400 bookshops and verified retail sales through eight Hammick's bookshops and 20 others.

Weather

Frontal troughs will cross most districts.

6 am to midnight

London, SE England, E Anglia: Cloudy with occasional rain, clearing later; wind mainly SW, moderate or fresh; max temp 7 to 9C (45 to 48F).

Central S, E, Central N, NE England, Midlands, Channel Islands: Cloudy with outbreaks of rain, becoming brighter later; wind SW to W, moderate or fresh; max temp 7 to 9C (45 to 48F).

SW, NW England, Wales, Isle of Man: Cloudy with rain, becoming brighter from W with occasional showers; wind SW to W, fresh or strong with gales in places; max temp 8 to 10C (46 to 50F).

Lake District, Borders, Edinburgh, Dundee, SW Scotland, Glasgow: Cloudy with rain, becoming brighter from W with occasional showers; wind SW, veering W, fresh or strong with local gales; max temp 6 to 8C (43 to 46F).

Aberdeen, Central Highlands, Moray Firth, NE Scotland, Orkney, Shetland: Cloudy with rain, becoming brighter on hills; wind mainly SW, fresh or strong, gales in exposed places; max temp 5 to 7C (41 to 45F).

Argyll, NW Scotland, N Ireland: Becoming brighter, showers developing, wintry on hills; wind mainly W, fresh or strong; max temp 7 or 8C (45 or 46F).

Outlook for tomorrow and Friday: Unsettled and windy; temperatures near or rather below normal.

SEA PASSAGES

SEA PASSAGES: S North Sea, Straits of Dover, English Channel (E): Wind S or SW, strong to gale; sea very rough. St George's Channel, Irish Sea: Wind SW, fresh or strong, veering W; sea rough.

Sun rises: 6.27 am | Sun sets: 5.56 pm
Moon sets: 7.09 am | Moon rises: 6.41 pm
Last quarter: March 17

Lighting up time

London 6.26 pm to 5.55 am
Bristol 6.36 pm to 6.04 am
Edinburgh 6.35 pm to 6.10 am
Manchester 6.33 pm to 6.04 am
Penzance 6.48 pm to 6.15 am

Yesterday

Temperatures at midday yesterday: c, cloud; f, fair; r, rain; s, sun.

		C	F			C	F
Belfast	r	6	43	Guernsey	f	8	46
Birmingham	c	7	45	Inverness	f	6	43
Blackpool	r	7	45	Jersey	f	9	48
Bristol	c	9	48	London	s	9	48
Cardiff	c	8	46	Manchester	f	7	45
Edinburgh	c	5	41	Newcastle	f	6	43
Glasgow	c	5	41	Ronaldsway	r	7	45

London

Temp: max 6 am to 6 pm, 10C (50F); min 6 pm to 6 am, 2C (36F). Humidity: 6 pm, 74 per cent. Rain: 24hr to 6 pm, .13in. Sun: 24hr to 6 pm, 4.1hr. Bar, mean sea level, 6 pm, 1,007.9 millibars, falling.
1,000 millibars=29.53in.

Highest and lowest

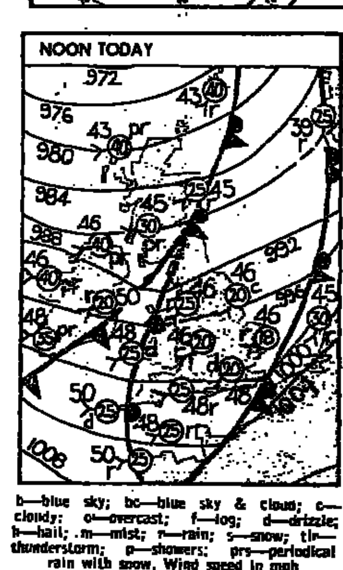
Highest day temp: Bristol, Chivenor, Herne Bay, Jersey, Poole 11C (52F). Lowest day max: Cape Wrath 4C (39F). Highest rainfall: Eskdalemuir 0.87in. Highest sunshine: Eastbourne 7hr.

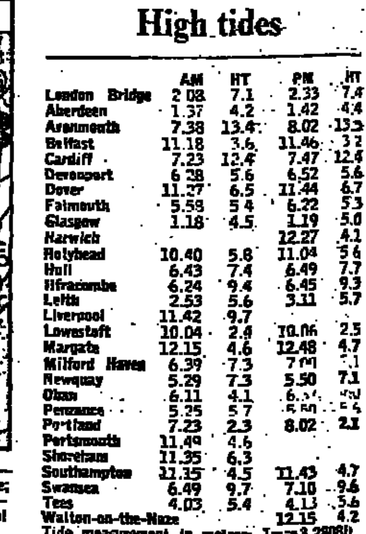
Satellite predictions

Figures give time of visibility, where rising, maximum elevation, and direction of setting. Asterisk denotes entering or leaving eclipse.

MANCHESTER: Cosmos 1310: 19.5-19.10; WNW; 25WSW; S. Aryabhata R: 19.22-19.26; WSW; 20SW; S. Ogo 2R: 19.1-19.10; N; 55E; SSE and 20.36-20.46; NNW; 25W; SW. Bhaskar 2R: 18.52-18.57; WSW; 20SW; S. Intercosmos 14R: (March 11) 4.25-4.30; S; 45ESE; NE. Seasat: 19.42-19.50; NNE, 25NW; W.

Predictions supplied by Earth Satellite Unit, Aston University.





NOON TODAY Pressure is shown in millibars FRONTS Warm Cold Occluded (Symbols are on advancing edge)

b—blue sky; bc—blue sky & cloud; c—cloudy; o—overcast; f—fog; d—drizzle; h—hail; m—mist; r—rain; s—snow; th—thunderstorm; p—showers; pr—periodical rain with snow. Wind speed in mph

High tides

	AM	HT	PM	HT
London Bridge	2.08	7.1	2.33	7.4
Aberdeen	1.37	4.2	1.42	4.4
Avonmouth	7.38	13.4	8.02	13.3
Belfast	11.18	3.6	11.46	3.2
Cardiff	7.23	12.4	7.47	12.4
Devonport	6.28	5.6	6.52	5.6
Dover	11.27	6.5	11.44	6.7
Falmouth	5.59	5.4	6.22	5.3
Glasgow	1.18	4.5	1.19	5.0
Harwich			12.27	4.1
Holyhead	10.40	5.8	11.04	5.6
Hull	6.43	7.4	6.49	7.7
Ilfracombe	6.24	9.4	6.45	9.3
Leith	2.53	5.6	3.11	5.7
Liverpool	11.42	9.7		
Lowestoft	10.04	2.4	10.06	2.5
Margate	12.15	4.6	12.48	4.7
Milford Haven	6.39	7.3	[illegible]	[illegible]
Newquay	5.29	7.3	5.50	7.1
Oban	6.11	4.1	[illegible]	[illegible]
Penzance	5.25	5.7	[illegible]	[illegible]
Portland	7.23	2.3	8.02	2.1
Portsmouth	11.49	4.6		
Shoreham	11.35	6.3		
Southampton	11.15	4.5	11.43	4.7
Swansea	6.49	9.7	7.10	9.6
Tees	4.03	5.4	4.13	5.6
Walton-on-the-Naze			12.15	4.2

Tide measurement in metres: 1m=3.2808ft.

Around Britain

	Sun hrs	Rain in	Max C	Max F	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jersey	6.9	.02	11	52	Sun pds
Guernsey	5.0	.02	11	52	Rain pm
Ilfracombe	0.1	.26	10	50	Rain pm
Tenby	—	.20	9	48	Rain
Anglesey	—	.16	8	46	Rain
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The first block of Around Britain lists Scarborough, Bridlington, Cromer, Lowestoft, Clacton, Thanet, Hastings, Eastbourne, Worthing, Littlehampton, Bognor Regis, Shanklin, Bournemouth, Poole, Swanage, Weymouth, Exmouth, Teignmouth, Torquay, Falmouth, Penzance: [illegible]

Abroad

MIDDAY: c, cloud; f, fair; r, rain; s, sun; sh, showers; sn, snow.

[illegible]